

25th

Annual Report

2009-10



Quality & Commitment



STI India Limited

Manufacturers of quality Cotton Yarn & Cotton Knitted Fabrics



Twenty Fifth Annual Report 2009-10

BOARD OF DIRECTORS

Dr. R. B. Baheti	- CMD-Upto31.10.10 & Chairman- w.e.f. 01.11.10
Mr. Aman Agrawal	- Vice Chairman w.e.f. 25.11.10
Mr. Prashant Agrawal	- Managing Director w.e.f. 25.11.10
Mr. K. N. Garg	- Director
Dr. Shashank N. Desai	- Director
Mr. T. N. Anand Reddy	- Director
Mr. S. Sreedhar Reddy	- Director
Mr. A. V. Narasimha Reddy	- Director
Mr. Upkar Singh Kohli	- Special Director - (BIFR) w.e.f. 26.05.10
Mr. A. R. Mundra	- Additional Director w.e.f. 25.11.10

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BANKERS

IndusInd Bank Limited
State Bank of India

AUDITORS

M/s Vikas Kochhar & Associates
Chartered Accountants,
29, 2nd Floor, Defence Colony Market,
New Delhi - 110 024
Tel.: 011-2433 8111, 2433 8444

REGISTRAR & TRANSFER AGENT

M/s Link Intime India Private Limited,
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai- 400 078
Tel : 022-25946970
E-mail :rnt.helpdesk@linkintime.co.in

REGD. OFFICE AND WORKS STI INDIA LTD.

Rau-Pithampur Link Raod,
Tehsil-Mhow, Dist., Indore
(M.P.) - 453 332 INDIA
Tel.:+91-0731-4014400
Fax:+91-0731-4020011

TWENTY FIFTH ANNUAL GENERAL MEETING

of the Company to be held on
Friday, the 24th December, 2010
at 11.00 a. m., at
the Registered office of the
Company at
Rau-Pithampur Link Road,
Tehsil-Mhow,
Dist. Indore - 453 332 (M.P.)
INDIA



NOTICE

NOTICE is hereby given that the 25th Annual General Meeting of the Members of STI India Limited will be held on Friday, the 24th December, 2010, at 11.00 a.m. at the Registered Office of the Company situated at Rau - Pithampur Link Road, Tehsil - Mhow, District Indore - 453 332 (M.P.) to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Annual Accounts for the Financial year ended on 31st March, 2010, Balance Sheet as at that date and the Reports of Auditors and Directors 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 a Director in place of Dr. Shashank N. Desai, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. T.N. Anand Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s V.K. Beswal & Associates, Chartered Accountants, Mumbai as Statutory Auditors of the Company and to fix their remuneration, and for that purpose, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s V.K. Beswal & Associates, Chartered Accountants, Mumbai be and are hereby appointed as Statutory Auditors of the Company in place of M/s Vikas Kochhar & Associates, Chartered Accountants, the retiring Statutory Auditors who have conveyed their un-willingness for being re-appointed as the Statutory Auditors of the Company, for the financial year 2010-11, and that M/s V.K. Beswal & Co., Chartered Accountants, the new Statutory Auditors of the Company shall hold office from the conclusion of this Annual General Meeting till conclusion of the next Annual General Meeting of the Company at such remuneration as may be fixed by the Board of Directors, plus service tax as applicable and other out of pocket expenses as may be incurred by them in connection with the Audit."

SPECIAL BUSINESS:

6. To Consider, and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Aman Agrawal, who was appointed as an Additional Director, designated as Vice Chairman of the Company w. e. f. 25th November, 2010 and who holds the said office until the date of this Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice in writing from a Member under Section 257 of the Act, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

7. To Consider, and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution

"RESOLVED THAT Mr. Prashant Agrawal, who was appointed as an Additional Director w. e. f. 25th November, 2010 of the Company and who holds the said office until the date of this Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice in writing from a Member under Section 257 of the Act, proposing his Candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

8. To Consider, and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. A.R. Mundra, who was appointed as an Additional Director w. e. f. 25th November, 2010 of the Company and who holds the said office until the date of this Meeting in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice in writing from a Member under Section 257 of the Act, proposing his Candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

9. To Consider, and if thought fit, to pass, with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 316 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, the Consent of the Company be and is hereby accorded to the appointment of Mr. Prashant Agrawal, (who is already appointed as Managing Director of Bombay Rayon Fashions Limited and drawing managerial remuneration), as Managing Director of the Company for a period of 3 years with effect from 25th November, 2010 to 24th November, 2013 without remuneration within the meaning of Section 2(26) of the said Act, subject to the approval of the Central Government and/or other concerned authorities, if any as may be required for the said purpose."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to modify, vary and abrogate the terms and conditions of the aforesaid appointment of Mr. Prashant Agarwal as Managing Director of the Company, to the extent as may be considered appropriate and necessary by the Board of Directors in mutual consultation with Mr. Prashant Agrawal, Managing Director or otherwise and further authorized to take all such actions and do all such things as may be deemed necessary, desirable and expedient for giving effect to the above resolution."

By Order of the Board of Directors
For STI INDIA LIMITED

Place: Mumbai
Date: 25th November, 2010

Raj Kumar Bhawsar
Company Secretary

NOTES:

1. ***A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO 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 instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

2. The Register of Members and Share Transfer Books of the Company shall remain closed from Monday, the 20th December, 2010 to Friday, the 24th December, 2010 (both days inclusive).
3. Members desirous of getting any information about the accounts and operation of the Company are requested to address their query to the Secretarial Department at the Registered Office well in advance so that the same may reach at least seven days before the date of the Meeting to enable the management to keep the required information readily available at the Meeting.
4. The Members having physical shares are requested to notify immediately any change in their addresses with the Postal Identity Number (Pin Code) and quoting their folio number(s) to the Company. The Members holding shares in Demat form are required to get updated change in their addresses through their Depositories.

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 and details required as per Listing Agreement and other Compliances.
ITEM NO. 2

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

Dr. R.B. Baheti was Chairman and Managing Director of the Company up to 31st October, 2010. Dr. R. B. Baheti has expressed his willingness to relinquish the office of the Managing Director on expiry of the term and indicated his willingness to continue as Non Executive Chairman of the Board w. e. f. 1st November, 2010.

Dr. R.B. Baheti, the Promoter Director of the Company a top level Corporate Executive, is a Post-graduate in Commerce and Ph.D. in Economics (Gold Medalist). He is a new age entrepreneur having rich experience of running businesses for around four decades and dealings in textile which is his family business. Dr. R.B. Baheti is an industrialist by nature. During his tenure, the Company achieved several milestones.

He is also Chairman in several other associate companies and associated with Prestigious Educational Institutions viz. Indian Institute of Management, Indore, Indian Institute of Management, Lucknow.

As Member of the Board, Dr. R.B. Baheti is expected to add immense value for the long-term growth of the Company. Accordingly, a resolution at Item No. 2 is placed before the Members for his re-appointment for approval of the Members.

Your Directors recommend his re-appointment as Director liable to retire by rotation, for the approval of Members. Apart from Dr. R.B. Baheti, no other Director is interested in the resolution. Dr. R.B. Baheti does not have relationship with any other Member of the Board.

ITEM NO. 3

Dr. Shashank N. Desai, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Dr. Shashank N. Desai is an experienced Practicing Chartered Accountant with Ph. D. in addition to Bachelor Degree in Commerce and Law. On the Board of Directors of the Company, Dr. Shashank N. Desai is proposed to be re appointed as an Independent Director.

As a Member of the Board, Dr. Shashank N. Desai is expected to add immense value for the long-term growth of the Company. Accordingly, a resolution at Item No. 3 is placed before the Members for his re-appointment for approval of the Members.

Your Directors recommend his re-appointment, as Director liable to retire by rotation, for the approval of Members. Apart from Dr. Shashank N. Desai, no other Director is interested in the resolution. Dr. Shashank N. Desai does not have relationship with any other Member of the Board.

ITEM NO. 4

Mr. T.N. Anand Reddy, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re appointment.

Mr. T.N. Anand Reddy, is an experienced Textile Technocrat with B. Tech Degree in Chemical Engineering from I.I.T. Chennai. On the Board of Directors of the Company, Mr. T.N. Anand Reddy is proposed to be re appointed as an Independent Director.

As Member of the Board Mr. T.N. Anand Reddy is expected to add immense value for the long-term growth of the Company. Accordingly, a resolution at Item No. 4 is placed before the Members for his re-appointment for approval of the Members.

Your Directors recommend his re appointment as Director liable to retire by rotation, for the approval of Members. Apart from Mr. T.N. Anand Reddy, no other Director is interested in the resolution. Mr. T.N. Anand Reddy does not have relationship with any other Member of the Board.

ITEM NO. 5

M/s Vikas Kochhar & Associates, Chartered Accountants, New Delhi, Auditors, due to their pre-occupations, have conveyed their unwillingness to be re-appointed as Auditors of the Company at the conclusion of the ensuing Annual General Meeting of the Company.

M/s. V.K. Beswal & Associates, Chartered Accountants, Mumbai have conveyed their acceptance to act as the Statutory Auditors of the Company, if appointed and have furnished certificate that their appointment, if made, would be in conformity with the provisions of Section 224(1)(b) of the Companies Act, 1956. Your Directors recommend the appointment of M/s V.K. Beswal & Associates, Chartered Accountants, Mumbai as Statutory Auditors of the Company from conclusion of the ensuing Annual General Meeting till conclusion of the next Annual General Meeting.

As the proposed appointment requires the approval of members, the resolution is recommended for members' approval.

None of the Directors are concerned or interested in the above resolution.

ITEM NO. 6

Mr. Aman Agrawal, was appointed as an Additional Director, designated as a Vice Chairman on the Board of the Company with effect from 25th November, 2010 and as such he holds his office till



the date of the ensuing Annual General Meeting.

Mr. Aman Agrawal, pursued studies in Management from Alexander College, Perth, Australia, has over 16 years of experience in the textile industry. He is also a Promoter Director designated as Executive Vice Chairman of Bombay Rayon Fashions Limited (BRFL) having deep knowledge and good command over the manufacturing of textile & garment business activities. Mr. Aman Agrawal played key role for selection of technology and machineries, setting up new manufacturing facilities, expansion and successful implementation of SAP in the various locations of BRFL.

The Company has received a Notice from a shareholder proposing his name for appointment as Director of the Company liable to retire by rotation in terms of Section 257 of the Companies Act, 1956. Accordingly, a resolution at Item No. 6 is placed before the Members for his appointment for approval of the Members.

As Member of the Board Mr. Aman Agrawal is expected to add immense value for the long-term growth of the Company.

Your Directors recommend his appointment, as Director liable to retire by rotation, for the approval of Members.

Mr. Aman Agrawal and Mr. Prashant Agrawal shall be deemed to be concerned or interested in the above Resolution.

ITEM NO. 7

Mr. Prashant Agrawal, was appointed as an Additional Director on the Board of the Company with effect from 25th November, 2010 and as such he holds his office till the date of the ensuing Annual General Meeting.

Mr. Prashant Agrawal, holds a Bachelor Degree in Chemical Engineering from University Institute of Chemical Technology, Bombay and MS in Chemical Engineering and Petroleum Refining, USA, has over 14 years of rich experience in the textile industry. He is also a Promoter Director designated as a Executive Managing Director of Bombay Rayon Fashions Limited (BRFL) having extensive knowledge and good command through his global vision contributed for new business opportunities and converting them into remunerative projects, consolidation of the business activities by way of acquisitions/ mergers and setting up of subsidiaries.

The Company has received a Notice from a shareholder proposing his name for appointment as Director of the Company liable to retire by rotation in terms of Section 257 of the Companies Act, 1956. Accordingly, a resolution at Item No. 7 is placed before the Members for his appointment for approval of the Members.

As Member of the Board Mr. Prashant Agrawal, is expected to add immense value for the long-term growth of the Company.

Your Directors recommend his appointment, as Director liable to retire by rotation, for the approval of Members. Mr. Prashant Agrawal and Mr. Aman Agrawal shall be deemed to be concerned or interested in the resolution.

ITEM NO. 8

Mr. A.R. Mundra, was appointed as an Additional Director on the Board of the Company with effect from 25th November, 2010 and as such he holds his office till the date of the ensuing Annual General Meeting.

Mr. A.R. Mundra has an experience of over 30 years in finance, commercial and managerial related matters. He is also a Executive Director - Finance of Bombay Rayon Fashions Limited (BRFL) and his core strength lies in fund procurement, internal controls,

organizational systems and strategic planning. He holds a bachelor degree in Commerce and Law (Gold Medalist). He is an associate member of the Institute of Chartered Accountants of India (All India Ranker) and also of the Institute of Company Secretaries of India (Silver Medalist). He is also a Member of the International Institute of Business Management, London and Alumni of Asian Institute of Management, Manila. He was awarded 'Samaj Shri' for excellence in management by Indian Institute of Management Executives, Mumbai in 1994. Mr. Mundra has sound knowledge and experience on Mergers, Amalgamations, Restructuring, Funds Mobilization, Project Advisory & Financing and Working Capital Arrangements etc. Besides, he has deep understanding of Investment and Portfolio Management, Derivatives and Capital Market Operations, Corporate Governance and Compliance matters. Mr. Mundra played a lead role in issue of Global Depository Receipts and Listing of Securities of BRFL at Overseas Exchange.

The Company has received a Notice from a shareholder proposing his name for appointment as Director of the Company liable to retire by rotation in terms of Section 257 of the Companies Act, 1956. Accordingly, a resolution at Item No. 8 is placed before the Members for his appointment for approval of the Members.

As Member of the Board Mr. A. R. Mundra, is expected to add immense value for the long-term growth of the Company.

Your Directors recommend his appointment, as Director liable to retire by rotation, for the approval of Members. Apart from Mr. A.R. Mundra, no other Director is interested in the resolution. Mr. A.R. Mundra does not have relationship with any other Member of the Board.

ITEM NO. 9

Mr. Prashant Agrawal, was appointed as a Managing Director on the Board of the Company for a period of 3 years with effect from 25th November, 2010 to 24th November, 2013 without remuneration subject to approval by the Shareholders in the ensuing Annual General Meeting. Mr. Prashant Agrawal is also Managing Director of Bombay Rayon Fashions Limited & is drawing remuneration from the said company.

As Managing Director of the Company Mr. Prashant Agrawal, is expected to add immense value for the long-term growth of the Company.

Mr. Prashant Agrawal will not be liable to retire by rotation.

Your Directors recommend his appointment as Managing Director for a period of three years for the approval of Members.

The above alongwith explanatory statement may also be treated as an abstract required to be circulated to the members under the provisions of Section 302 of the Companies Act, 1956.

Mr. Prashant Agrawal and Mr. Aman Agrawal shall be deemed to be concerned or interested in the above Resolution.

By Order of the Board of Directors
For STI INDIA LIMITED

Place: Mumbai
Date: 25th November, 2010

Raj Kumar Bhawsar
Company Secretary

DIRECTORS' REPORT

To,

The Members,

The Directors have pleasure in presenting their 25th Annual Report and the Audited Annual Accounts of the Company for the financial year ended 31st March, 2010.

FINANCIAL RESULTS

The salient features of the Company's financial results during the year are as under:

PARTICULARS	2009 - 10	2008 - 09
(Rs. in Lacs)		
Sales & Other Income	17991.09	17864.48
Expenditures	17155.93	17887.93
Earnings before Interest & Depreciation	835.16	(23.45)
Less - Interest	364.10	326.90
Less - Depreciation	1150.51	1148.10
Net Profit/(Loss) for the year	(679.45)	(1498.45)
(Less)- Provision for Tax (FBT)	-	11.00
(Less)-Provision for Doubtful Advances	-	2450.75
Adjusted Profit/(Loss) for the year	(679.45)	(3960.20)
Balance brought forward from previous year	(10793.60)	(6833.40)
Net Profit/(Loss) carried forward to the Balance Sheet	(11473.05)	(10793.60)
Less : Share Premium	3773.00	3773.00
Profit & Loss Account	(7700.05)	(7020.60)
Paidup Share Capital & Reserve & Surplus	2940.01	2940.01
Adjusted Net Worth of the Company	(4760.04)	(4080.59)

PERFORMANCE

During the financial year under review, the turnover and other income of your company increased by 0.71% and in value term touched Rs.180 Crores (previous year Rs.179 Crores). However due to stable raw cotton prices during mid of the year under review as well as the impact of Indian Rupee depreciation against US Dollar, Company's EBIDTA margin had improved. During the year the Company had a positive EBIDTA of Rs. 835.16 Lacs against negative EBIDTA of Rs. 23.45 Lacs in the previous year.

Interest cost in the current year, at Rs. 364.10 Lacs, is 11.62% higher than the previous year of Rs. 326.90 Lacs.

However due to export sales of higher value added products, such as Organic Cotton Yarn and Knitted Fabric, mainly to high-end European market helped in receiving comparatively better realization.

The turnover in quantitative term was also at 13031 MT in comparison to 14148 MT in the previous year. The average sales realization was higher at Rs. 120.45 per Kg. (Rs.

109.07). During the year the utilization of Company's knitted fabric capacity was lower producing 13.53 Lacs Kg knitted fabrics in comparison to the production of 13.90 Lacs Kg fabrics in the previous year.

Your Company has been De-bonded w.e.f. 24th April, 2009 from the status of 100% EOU. Now it has greater flexibility to sale its products either in domestic or international market wherever price realisation is better. In addition to working freedom company has also started getting export incentives like DEPB / Duty draw back etc. due to De-bonding.

DIVIDEND

In view of the losses, the Board of Directors does not recommend any dividend for the year under review.

WORKING CAPITAL CONSTRAINTS

The company continued to face working capital constraints during the year. The Company tried various options for securing working capital sanction from Banks including financial institutions and NBFC Companies, but due to lack of sufficient profit margin on its operation and sudden change in the out look for Textile and yarn industry, raising working capital became difficult, which had a direct impact on the profitability of the Company.

OVERSEAS PRIVATE INVESTMENT

The Members are aware that the two Overseas Private Investors (OPI's) i.e. Spinnaker Investment Group, United Kingdom and Eight Capital & Associates, United States who in total had invested an amount of Rs.141,12,87,500/- in the company towards the subscription of Optionally Convertible Debentures and Convertible Warrants. Due to sharp increase in the raw cotton prices and continuous depreciation in Indian currency against US Dollar in the year under review and previous years, the Company has been unable to generate sufficient revenue to serve the cost of funds received from Overseas Private Investors. The Company had also not been able to redeem above referred OCD's in absence of a sanction of equivalent amount by any Bank to the Company against working capital requirements for which the Company is continuing its efforts.

The OPI's by their communication dated 26th October, 2010 have waived total interest as was due and payable to them from the date of invocation of the pledge i.e. February 14, 2008 till date and also waived the principal due to the extent of Rs. 28,18,00,000/- against total dues of OCD Series 1 to 4. Thereafter the OPI's has on 27th October, 2010 transferred to M/s Bombay Rayon Fashions



Limited (BRFL) the 86,47,336 equity shares of the Company and 3,21,80,000 Optionally Convertible Debentures (OCDs) alongwith the underlying securities / properties including the invoked 1,18,14,114 equity shares of the Company held by IDBI Trusteeship Services Limited as debenture trustees. The BRFL would therefore hold share aggregating to 2,04,61,450 equity shares representing 70.56% of paid up equity share capital of the company. BRFL is a listed Company engaged in manufacturing and export of Readymade Garments.

BOARD OF DIRECTORS

Hon'ble BIFR SD Coordination Cell has appointed Mr. Upkar Singh Kohli, as "Special Director" on the Board of the Company by their order dated 26th May, 2010. The Board of Directors welcomes appointment of Mr. Upkar Singh Kohli, as his rich experience will be immensely useful in Company's turnaround.

The term of Dr. R. B. Baheti as Chairman & Managing Director of the Company was up to 31st October, 2010 and he has expressed his willingness to continue as Non Executive Chairman w.e.f. 1st November, 2010 and eligible for re-appointment. Their re-appointment as Director liable to retire by rotation is submitted to the Shareholders for their approval in the ensuing Annual General Meeting.

Dr. Shashank N. Desai and Mr. T. N. Anand Reddy, Directors, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. Their re-appointment as Directors liable to retire by rotation is submitted to the Shareholders for their approval in the ensuing Annual General Meeting.

The Board has appointed Mr. Prashant Agrawal as Managing Director of the Company w.e.f. 25th November, 2010 for 3 years subject to the approval of Shareholders after the nomination received from M/s Bombay Rayon Fashions Limited. Your Company expects to reap rich benefits under the management of Mr. Prashant Agrawal, Managing Director through his global vision and is expected to contribute significantly in identifying new business opportunities and converting them into remunerative projects. The necessary resolution is being included in the notice of Annual General Meeting for approval of the Shareholders of the Company. Your Board of Directors welcomes appointment of Mr. Prashant Agrawal as Managing Director.

Mr. Aman Agrawal and Mr. A.R. Mundra were appointed as Additional Directors with effect from 25th November, 2010. All the new Directors have wide range of experience and exposure of the field of finance & management of

trade, business and industry. It is expected that appointment of these new directors will add immense value to the Board.

Being additional Directors these new three directors would hold their office till the date of ensuing Annual General Meeting (AGM) of the Company. The Company has received notices from member of the Company proposing candidature of these two new Directors for appointment as Directors liable to retire by rotation. Accordingly appointment of Mr. Aman Agrawal and Mr. A.R. Mundra is being considered for approval of shareholders in the next AGM as Directors liable to retire by rotation. Your Board of Directors welcomes these appointments.

PERFORMANCE OF STI SANOH INDIA LIMITED - THE JOINT VENTURE COMPANY

Your Directors are pleased to inform that growth in the automobile sector has resulted in an improved performance by STI Sanoh India Limited, your Joint Venture Company with Sanoh Industrial Co. Limited. During the year it recorded 47.57% growth in income at Rs.186.29 Crores in comparison to Rs. 126.24 Crores last year. Consequently the net profit increased to Rs. 8.89 Crores from Rs. 4.87 Lacs in the previous year.

As a result of India's expected GDP Growth of 8.4% during the current year and targeted demand growth in automobiles and refrigeration industries in 2010-11, we expect the performance of the Joint Venture to be further better in the current year.

AUDITORS

M/s Vikas Kochhar & Associates, Chartered Accountants, New Delhi, Auditors due to preoccupation have conveyed their unwillingness to be re-appointed as Auditors of the Company at the conclusion of the ensuing Annual General Meeting of the Company.

M/s. V.K. Beswal & Associates, Chartered Accountants, Mumbai being eligible offers themselves to be appointed would be in conformity with the provisions of Section 224(1) (b) of the Companies Act, 1956. Your Directors recommend the appointment of M/s. V.K. Beswal & Associates, Chartered Accountants, Mumbai as Statutory Auditors of the Company from conclusion of the ensuing Annual General Meeting till the conclusion of next Annual General Meeting.

Accordingly necessary resolution for appointment of M/s. V.K. Beswal & Associates, Chartered Accountants, Mumbai, as Statutory Auditors is being proposed in the notice for approval of the Shareholders.

DIRECTORS' COMMENTS ON AUDITORS QUALIFICATION

Your Directors have taken note of the observations / suggestions of the Company's Auditors in their report including its annexure and positive measures have been taken to implement the same. All their points have been adequately covered and explained in the report of the Board of Directors as well as in notes to the accounts. The Company has further strengthened the internal control systems and procedures by enlarging and upgrading the scope of work of Internal Auditors.

FIXED DEPOSITS

The Company has neither accepted nor invited any deposits from public under the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 during the year under review.

RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that:

In the preparation of the Annual Accounts for 2009-10, the applicable accounting standards have been followed with proper explanations relating to material departures;

They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the financial year;

They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

They have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Your Directors are committed to good corporate governance as a policy. The Audit Committee, Investors Grievance cum Share Transfer Committee and Remuneration Committee have been constituted, as required. A detailed report on Corporate Governance is given in the annexure, which form part of this report.

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

As required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in Report of Board of Directors) Rules, 1988, particulars of conservation of energy, technology absorption and Foreign Exchange earnings and outgo are given in the Annexure I which forms part of this Report.

PARTICULARS OF EMPLOYEES

Pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the name of and other particulars of an employee is set out in the Annexure to the Directors' Report. However, as per provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all members of the Company. Any member, who is interested in obtaining such particulars about an employee, may write to the Company Secretary at Registered Office of the company.

INDUSTRIAL RELATIONS

The company provides a congenial and friendly atmosphere to its employees to maintain cordial relations and motivate them to develop to their full potential. Industrial Relations throughout the year were very peaceful.

APPRECIATION

Your Directors place on record their sincere appreciation to the Financial Institutions, Banks, Central and State Government authorities, representatives of Overseas Private Investors, clients and shareholders for their support and co-operation during the year. The Directors convey their special thanks to the overseas financial partners.

For and on behalf of the Board of Directors
For STI India Limited

Dr. R.B. Baheti
Chairman

Place: Mumbai
Date : 25th November, 2010

ANNEXURE - I : TO THE DIRECTORS' REPORT

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as per Section 217(1)(e) of the Companies Act, 1956 and the Rules made therein and forming part of the Directors' Report for the year ended 31st March, 2010.

Form A (Rule 2)

CONSERVATION OF ENERGY

There is a constant thrust on energy saving in every sphere of activity as the company has conceptualized that "Energy saved is energy generated". In the process we have added the following measures to harness the energy consumption:

- Details of steps taken during previous year for conserving Electrical Energy:-
 - Optimization of running of supply air fans of humidification plants; and
 - Replacement of non efficient pumps by energy efficient pumps
- Annual saving due to above steps in terms of KWh and Rs.: - KWh - 118620 and Rs. 427000/-

Technology Up Gradation:-

- In house development of HTT protection cage to safeguard unknowing loss of HTT unit, the cost is about Rs. 1000 per pc to save the cost of Rs. 48,000/- per set if damaged in full, or Rs. 23,000/- if the Cell part is damaged/missed, total 23 sets of the HTT units are in use in mill and the probability of damages were high without the protection cage.
- Fire alarm System installation for Mill - A, B & C, in Ring frame, Auto winding and Packing dept which is a safety need.
- Development of electronic spares for repairing of Input/output PCB and GM24SR motor of H-plant, by that purchase of spares of Rs. 53248 x 2 nos (I/O Boards) plus Rs.14650/-x1 set (GM24SR motor) , total Rs.121146/- avoided by spare expanses of Rs. 27225/-.
- Replacement of upgraded Gear boxes at Blow room and Card filters to avoid repeated break downs. The cost for such replacement is Rs. 63226/-x9 sets = Rs. 569034/-.

Future Planning for Energy conservation (2010-11)

- Proposed to replace two nos. pumps for energy conservation.

Power and Fuel consumption	Current year 2009-10	Previous year 2008-09
Electricity		
1. Purchased (Units in Lacs)	454.02600	466.53600
2. Generated (Units in Lacs)	0.02486	0.15350
Total Amount (Rs. In Lacs)	1668.78734	1733.92664
Rate per unit	3.675	3.715
Consumption of Electrical	3.47	3.27
Energy per Kg. of Yarn		

FORM-B (Rule-2)

(A) RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas where the R & D department worked are:

- Inspection & testing of in-coming, in-process and final product
- Bale management & process control observations
- Machinery maintenance audit and sampling
- Implementation of Control Union Certification for Organic Cotton Yarn & Fabric Production (GOTS / OE/ GRS)
- Checking regular replacement items, e.g. cots, aprons, ball & needle bearings, waxes and packing materials etc.

2. Benefits derived as a result of the above activities.

- Maintaining consistency in Quality Parameters.
- Process control helped us in reducing non-conformities in the process products.
- The spares and bearings of right quality has helped production to minimize detentions due to early failure of these parts

3. Future Action Plan (2010-2011)

- To further improve the quality level and maintain it.
- To facilitate manufacturing sustainable products (Organic Cotton Yarn & Fabric) and other value added products.

4. Expenditure on R & D (2009-2010)

Nil

(B) TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

- The entire plant and machinery is imported, save a few machines, and the company does not have any technical collaboration. Qualified and skilled staff equipped with the power of information Technology at all levels manages the company.
- The main target behind the above concept is reduction in operative cost. The following steps were taken in the department.
 - By installation of 2 TFO machines, the diversification and value addition of the product has enhanced.
 - With addition one Auto Coner machine, approx. 1000kg of productivity increased.
 - Replaced 40 machines with 38 mm diameter ring and production increased by 5% without increasing of any power consumption.
 - We have gone finer, thus consuming less cotton and producing more value added yarn.
 - We have converted 7 normal ring frame machines into elitwist as per the market demand, to get

further value addition.

- f) The department workload has been further rationalized and we have reduced around 40 hands/day.
- g) We have also modified the work assignment in manual sorting (mixing & blow room section) and as a result, we have further reduced 36 hands/day in that zone.

3. Benefits derived as a result of the above efforts:

The company not only believes in sustaining the quality level but also drives forward for upgrading the total quality level. The secondary focus is on reduction in cost. The innovative ideas generated from inside the company is implemented in reality and with a very minimal investment, huge savings are accomplished. The raw material procurement is also making tremendous efforts to procure the best of the lot at the best price.

4. Action Plan for 2010-2011:

- a) Further, we are venturing to achieve higher productivity by reducing the ring diameter of another 14 machines.
- b) We have dedicated one complete line for manufacturing "Organic" Cotton in the unit through out the year, will give high value addition and a quality bench mark in the Industry.
- c) We are planning to utilize the 100% knitting machines for further value addition.

5. Recent Achievements:

The company has received certification of SA-8000 from SGS ITALIA S.p.A. - Systems & Services Certification, Via G. Gozzi, 1/A 20129, MILANO - Italy. This has ensured us to produce further value added products for Export Market and Organic business.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars	Current year 2009-2010 (Rs. in Lacs)	Previous year 2008-2009 (Rs. in Lacs)
Foreign Exchange earnings:		
- FOB value of goods exported	4644.21	3413.26
C.I.F. Value of Imports:		
- Stores, Spares & HSD	38.00	54.79
- Capital Goods	38.70	-
Foreign Exchange Expenditures:		
- Commission on Export Sales	30.34	9.23
- Foreign Traveling	5.30	10.94

For and on behalf of the Board of Directors
For **STI India Limited**

Dr. R.B. Baheti
Chairman

Place : Mumbai
Date : 25th November, 2010



REPORT ON CORPORATE GOVERNANCE (In terms of Clause 49 of the Listing Agreement)

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. This report on corporate governance is pursuant to revised clause 49 of the listing agreement as amended by SEBI vide circular SEBI/CFD/DIL/CG/1/2004 / 12 / 10 dated 29th October, 2004 and as implemented by SEBI vide circular SEBI/CFD/DIL/CG/1/2006/29/3 Dated 29th March, 2006 and forms a part of the Board of Directors Report.

1. PHILOSOPHY ON CODE OF GOVERNANCE.

The Company believes in adopting and adhering to the best corporate practice and continuously evaluate it against each of such practices. The Company understands and respects its fiduciary role and responsibility to all stakeholders and strives hard to meet their expectations. We believe that the corporate governance is an important tool for shareholders protection and maximizing their long-term values.

The fundamental objective of Company's Corporate Governance is to adopt a methodology, which enhances effectiveness, better utilization of resources, transparency and harmonious relations between various interest groups. The Company has been regular in sending its quarterly compliance report on Corporate Governance to Stock Exchanges.

2. BOARD OF DIRECTORS.

(a) Composition and Size of the Board:

The Companies Act, 1956 and the listing agreements with Stock Exchanges govern the composition of the Board of Directors of the Company.

The Board has strength of 6 Directors as on 31st March, 2010, out of which five are Non-Executive Directors and four Directors are independent. None of the Directors of the Company is a member of more than 10 committees or Chairman of more than 5 committees (as specified in Clause 49 of the Listing Agreement). The Chairman of the Board is Executive / Whole Time Director. Most of the Directors have made necessary disclosures regarding positions occupied by them in other companies. The Board is primarily responsible for the overall management of the Company's business. The composition of the Board as on 31st March, 2010 is as under:

S.No.	Name of Directors	Category	Relationship with other Director of the Company
1.	Dr. R.B. Baheti	Promoter - Executive	NIL
2.	Mr. K.N. Garg	Promoter-Non Executive	NIL
3.	Dr. Shashank N. Desai	Independent & Non Executive Director	NIL
4.	Mr. T. N. Anand Reddy	Independent & Non Executive Director	NIL
5.	Mr. S. Sreedhar Reddy	Independent & Non Executive Director	NIL
6.	Mr. A.V. Narasimha Reddy	Independent & Non Executive Director	NIL

(b) CEO & CFO:

Dr. R. B. Baheti, CMD (Up to 31.10.10), was designated as Chief Executive Officer (CEO) and Mr. S. D. Naik is appointed as Chief Financial Officer (CFO) of the Company.

(c) Board Meetings:

Meeting of Board of Directors 2009-10:
Total 5 Meetings Held

S. No.	Name of the Directors	No. of Board Meeting attended	Last AGM Attended (Held on 30.11.2009)
1.	Dr. R.B. Baheti	5	Yes
2.	Mr. K.N. Garg	5	Yes
3.	Dr. Shashank N. Desai	5	No
4.	Mr. T. N. Anand Reddy	5	No
5.	Mr. S. Sreedhar Reddy	-	No
6.	Mr. A. V. Narasimha Reddy	-	No
7.	Mr. M.R. Shroff (Ceased w.e.f. 08.06.09)	-	No

(d) Attendance:

Attendance details of Board of Directors Meetings

S. No.	Name of the Directors	05.06.09	29.06.09	17.07.09	30.10.09	23.01.10
1.	Dr. R.B. Baheti	P	P	P	P	P
2.	Mr. K.N. Garg	P	P	P	P	P
3.	Dr. Shashank N. Desai	P	P	P	P	P
4.	Mr. T. N. Anand Reddy	P	P	P	P	P
5.	Mr. S. Sreedhar Reddy	LOA	LOA	LOA	LOA	LOA
6.	Mr. A.V. Narasimha Reddy	LOA	LOA	LOA	LOA	LOA
7.	Mr. M. R. Shroff (Ceased w.e.f. 08.06.09)	LOA	-	-	-	-

Note : P=Present . LOA=Leave of absence.

(e) Sitting Fees:

Details of payment of Sitting Fee during the year 2009-10

Directors	Sitting Fees
Mr. K.N. Garg	Rs.25,000
Dr. Shashank N. Desai	Rs.25,000
Mr. T. N. Anand Reddy	Rs.25,000
Mr. S. Sreedhar Reddy	NIL
Mr. A. V. Narasimha Reddy	NIL
Mr. M. R. Shroff (Ceased w.e.f. 08.06.09)	-

(f) General Meeting:

Details of the Annual General Meeting in 2009-10

Particulars	AGM
Date of Meeting	30.11.2009
No. of Members / Proxies Attended	08
Chairman of Meeting	Dr. R. B. Baheti

(g) Other Directorship:

Details of Present Directors holding Directorships in other companies

No. Name of Directors	Directorship in other Companies
1. Dr. R.B. Baheti	1) STI Power India Private Limited 2) STI Sanoh India Limited 3) STI Phoenix Wear Pvt. Ltd. 4) STI Fabricraft Pvt. Ltd.
2. Mr. K.N. Garg	1) STI Sanoh India Limited 2) STI International Limited 3) STI Products India Limited 4) STI Power India Private Limited 5) STI Phoenix Wear Pvt. Ltd. 6) STI Fabricraft Pvt. Ltd.
3. Dr. Shashank N. Desai	7) Global Stone India Limited 1) STI Sanoh India Limited 2) Orion Capital Services Limited 3) Orion Hr. Services Private Limited 4) Orion Outsourcing Private Limited 5) DFX Systems Private Limited 6) Elliott, Waud & Hill Private Limited
4. Mr. T. N. Anand Reddy	1) Wellknit Apparels Private Limited 2) Madanapalli Spinning Mills Ltd. 3) HI-Q Design & Detailing Pvt. Ltd.
5. Mr. S. Sreedhar Reddy	1) Anantha PVC Pipes Private Limited (Part IX) 2) Nandi Polymers India Private Limited 3) Suraj Water Tanks Private Limited 4) Nandi Water Containers Private Limited 5) Sreekanth Pipes Private Limited (Part IX) 6) Nandi Irrigation Systems Limited 7) S.P.Y. Agro Industries Limited 8) Nandyala Gases Private Limited 9) Nandi TMT Bars Private Limited 10) Nandi CPVC Pipe Products India Pvt. Ltd. 11) Nandi Oxygen Private Limited 12) Panyam Cements & Mineral Industries Ltd. 13) Nandi Energy Systems India Private Ltd. 14) Sajjala Infrastructure Private Limited 15) Nandi Pumps Private Limited 16) Nandi Grain Derivatives Private Limited
7. Mr. A. V. Narasimha Reddy	1) Nandi Polymers India Pvt. Ltd. 2) Panyam Cements and Mineral Industries Ltd.

(h) Membership/Chairmanship/in Board Committees:

The details of present Directors holding Membership In Board Sub-Committee

Sr. No.	Name of Director	Chairman/Member in Committees	Chairmanship/ Membership
1.	Dr. R.B. Baheti	NIL	NIL
2.	Mr. K.N. Garg	STI India Limited STI Products India Limited Global Stone India Limited	AC/S&IGSC/RC S&IGSC/AC/RC* S&IGSC/AC/RC
3.	Dr. Shashank N. Desai	STI India Limited	*AC/RC/S&IGSC
4.	Mr. T. N. Anand Reddy	STI India Limited	*S&IGSC/AC/RC
5.	Mr. S. Sreedhar Reddy	Panyam Cements and Mineral Ind. Ltd.	Share Issue and Transfer Com.*
6.	Mr. A. V. Narasimha Reddy	NIL	NIL

S&IGSC = Shareholders & Investors Grievance Sub Committee.

AC = Audit Committee, RC = Remuneration Committee

* = Indicate Chairmanship of Committee

(j) Code of Conduct - for Board Members and senior Management:

In terms para 1(D) of clause 49 - Corporate Governance, the Board of Directors have laid a code of conduct for all board members and senior management of the Company. The code of conduct is also posted on the website of the Company.

3. BOARD COMMITTEES.

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

- * Audit Committee
- * Remuneration Committee
- * Shareholder's/Investors Grievances Sub Committee

a. AUDIT COMMITTEE:

The Audit Committee Comprises 3 Non-Executive Directors with Dr. Shashank N. Desai as Chairman possess vast experience in Finance and Accounts, Mr. K. N. Garg and Mr. T. N. Anand Reddy as Members.

Date of Constitution:	22nd January, 2002
Dates of Re-Constitution:	23rd April, 07, 24th October, 07, 30th January, 09 & 29th June, 09.
Number of Meetings:	Four meetings held during the financial year 2009-10.

Attendance in the Audit Committee Meeting

S. No.	Name of the Directors	29.06.09	17.07.09	30.10.09	23.01.10
1.	Dr. Shashank N. Desai-Chairman	P	P	P	P
2.	Mr. K. N. Garg-Member	P	P	P	P
3.	Mr. T.N. Anand Reddy-Member	P	P	P	P

Note : P=Present . LOA=Leave of absence.

Terms of Reference

Terms of reference of the Audit Committee are as per the guidelines set out in the listing agreements with the stock Exchanges and this interalia include:

1. To ensure that the disclosure in the financial information stated in financial statements are correct, sufficient and credible.
2. To recommend regarding appointment & renewal of external Auditors, fixation of audit fees and approval for payment of other services..
3. To review with Management the annual financial statement before submission to the Board, focusing primarily on:
 - any change in accounting policies and practices;
 - major accounting entries based on exercise of judgment by management;
 - qualification in draft report;

- Significant adjustments arising out of audit;
 - Compliances with stock exchanges and legal requirements concerning financial statement;
 - Related party transactions;
4. To review the adequacy of internal control system, internal audit functions including discussions with internal Auditors on matters like internal investigation where there is suspected fraud or irregularity or failure of internal control systems material nature.
 5. Discussions with external Auditors before the audit commences, nature and scope of audit as well as have post audit discussion.
 6. To review the Company's financial and risk management policies; and
 7. To look into the reasons for substantial defaults in the payment of depositors/ shareholders/ creditors.

b. REMUNERATION COMMITTEE:

The Remuneration Committee comprises of 3 Non-Executive Directors with Dr. Shashank N. Desai as Chairman and Mr. T. N. Anand Reddy & Mr. K. N. Garg as Members. All of them possess vast experience of Trade, Business and Industries.

Date of Constitution:	29th July, 04
Dates of Re-Constitution :	30th Jan., 09 & 29th June, 09
Number of meetings.	No Meeting was held during the financial year 2009-10.

1. Terms of Reference:

Terms of reference of the Remuneration Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges and this interalia include:

The Remuneration policy of the Company for managerial personnel (excluding non-executive the remuneration of which shall be decided by the Board) shall be primarily based on the following:

1. To address the policy on remuneration packages for Executive Directors and their service contracts.
 2. To prepare performance linked remuneration package and retiral benefits.
 3. To track record, potentials and performance of individual managers and their periodic review.
 4. To prepare policy for training, development, job rotation and delegation as important tools for optimum utilization of available man-power resources, and
 5. To guideline for outsourcing skills and capabilities for new opportunities from the external competitive environment.
- #### 2. Appointment and Remuneration of Chairman and Managing Director:
- The appointment and remuneration paid to Dr. R. B.

Baheti, Chairman & Managing Director of the Company are in accordance with Section 269 read with Schedule XIII and all other applicable provisions (including statutory amendment thereof) if any, of the Companies Act, 1956. The terms of the appointment and remuneration of Dr. R. B. Baheti effective from 1st November, 2007 as approved by the Shareholders and Central Government are as under:-

Name and Designation	Period of Appointment	Salary and Allowance*
Dr. R. B. Baheti	Three Years from	All inclusive remuneration
- Chairman and Managing Director	1st November, 2007	of Rs.1,50,000/- p.m.

* The remuneration does not include contribution to Provident Fund and Superannuation Fund, not calculated for the limits.

The Central Government has approved the appointment and remuneration payable to Dr. R. B. Baheti as Chairman & Managing Director vide its Letter No.12/115/2008-CL.VII dated 21st February, 2008.

Dr. R. B. Baheti has not been paid any Commission, Sitting Fee or Shares by way of Stock Option during the year.

Remuneration for Non-Executive Directors

Sitting Fee as permitted according to provisions of Articles of Association, exclusive of actual and incidental expenses incurred for attending such meeting is paid. There is at present no other components of remuneration paid to Non-Executive Directors.

c. SHAREHOLDER'S/INVESTOR'S GRIEVANCES SUB COMMITTEE:

The Shareholder's / Investors Grievances Committee comprises of 3 Directors with Mr. T. N. Anand Reddy as Chairman and Dr. Shashank N. Desai & Mr. K. N. Garg as Members. All of them possess vast experience of Trade, Business and Industries.

Date of Constitution	22nd January, 2002
Date of Re-Constitution	29th June, 2009
Number of meetings.	No meeting was held during the financial year 2008-09

1. Terms of Reference:

The Board of STI India Limited, constituted a Shareholder's / Investors Grievance Committee to facilitate prompt and effective redressal of shareholders complaints and the reporting of the same to the Board periodically. The Company has also appointed M/s Link Intime India Pvt. Ltd., Mumbai (formerly Intime Spectrum Registry Ltd.), a SEBI Registered independent agency, as Registrar & Transfer Agent for handling Demat as well as Physical

Share Transfer work of the Company.

2. Composition and attendance:

The details of transactions in the shares and the complaints from the investors, are handled by the Registrar & Transfer Agent as well as the Share Department of the Company, and are being quarterly reviewed by the Board of Directors in its Meeting.

3. Share Transfer Committee Meetings:

As informed by the Registrar and Share Transfer Agent, during the year ended 31.03.2010, seven dates for approval of Transfer / Transmission of Physical Shares were recorded. The details of these transactions were also taken on record in the Meetings of the Board of Directors. More details on the transfer of shares approved during the year are as under. The figures in the brackets are for the previous year.

Dates recorded	No. of Cases	No. of shares Transferred
07 (09)	010 (121)	1,475 (17,611)

During the year, there were few requests from shareholders for routine corporate actions viz., Change of Address/supply of copy of Annual Report/Splitting/Consolidation Dematerialization and Rematerialization of Shares etc. All requests for transfer of shares were attended promptly. As according to new guidelines of SEBI, the Transfer of Demated Shares is not subjected to approval of any committee or Board of Directors and physical shares are also handled on time by the Registrar and Share Transfer Agent, no Meeting of the Shareholder / Investors Grievance Committee was required to be held.

Company Secretary / Compliance Officer

The Company has appointed Mr. Raj Kumar Bhawsar as Company Secretary cum Compliance Officer of the Company w.e.f. 30th November, 2008.

4. Shareholders Meetings:

Details of last three Annual General Meetings

Date	Venue	Time
22nd AGM 29.09.2007	Regd. Office: Rau-Pithampur Link Road, Tehsil: Mhow, District Indore (M.P.) 453 332	12.00 Noon
23rd AGM 30.09.2008	Regd. Office: Rau-Pithampur Link Road, Tehsil: Mhow, District Indore (M.P.) 453 332	11.00 A. M
24th AGM 30.11.2009	Regd. Office: Rau-Pithampur Link Road, Tehsil: Mhow, District Indore (M.P.) 453 332	11.00 A. M

5. Disclosures:

(A) Related Party Transactions

The Company has entered into transaction with the related parties that may not have any potential conflict with the interests of the Company. The details of such transactions are already given in **Schedule-25** "Notes to Accounts & Accounting Policies" attached to the Annual Accounts of the Company.

(B) Compliances by the Company

During the last three years, no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI on any matter. Except short delays in some cases, the Company has fairly complied with the requirements of the Stock Exchanges and SEBI. The shares of the Company are actively traded on the Bombay Stock Exchange Ltd., Mumbai (BSE) and National Sock Exchange of India Ltd., Mumbai (NSE).

6. Means of Communication:

- * Full Annual Report is sent to each Shareholder every year at his or her registered Address regularly.
- * STI India Limited has been regularly sending quarterly/half-yearly/ annual financial results to Stock Exchanges. These results are also sent to those Shareholders who request for the same.
- * The quarterly results are published regularly in one Hindi and One English Newspaper having circulation in the region where the Registered Office of the Company is situated.
- * The quarterly financial results and Annual Report are also sent to Financial Institutions/Analysts/Institutional Investors on demand.
- * The Management Discussion and Analysis Report is incorporated as part of the Directors' Report forming a part of the Annual Report.

7. General Information To Shareholders:

a. Twenty-Fifth Annual General Meeting

Day & Date : Friday, the 24th December, 2010

Time : 11.00 A. M.

Venue : Registered office of the Company at : Rau - Pithampur Link Road, Tehsil: Mhow, District Indore - 453 332 (M.P.)

**b. Financial Calendar****Financial Year April 1, 2010 To March 31, 2011**

Book Closure Dates	: 20th December, 2010 to 24th December, 2010 (Both days inclusive)
Last dates of receipts of Proxy-Forms	: 22nd December, 2010
Date of 25th Annual General Meeting	: 24th December, 2010
Board Meetings for consideration of	: On or before 14th February'
Unaudited Results for quarters of	11 for December Quarter.
Financial Year 2010-11	On or before 14th May' 11 for Quarter and year ending on 31st March, 11, if taken Unaudited.

- c. Listing on Stock Exchanges and details of price index:** Currently the equity shares of the Company are listed on two Stock Exchanges viz. Bombay Stock Exchange Ltd., Mumbai (BSE) and National Stock Exchange of India Ltd., Mumbai (NSE). The shares of the Company are actively traded on both the Stock Exchanges. The Company has paid listing fee to the stock exchange for the financial year 2010-11.

d. Name and Address of the Stock Exchanges: where the shares are listed.

S. No.	Name and Address of the Stock Exchange	Stock Code
1	Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 023	513151
2	The National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Bandra Kurla Complex, Bandra (East), Mumbai 400 051	STINDIA

e. The trade statistics of equity shares at Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) during the year are as under :

(BSE)				
Month	High(Rs)	Low(Rs)	No. of shares traded	No. of trades
April, 09	5.25	4.32	10,716	26
May, 09	7.57	4.90	37,644	93
June, 09	10.00	6.90	47,608	190
July, 09	7.45	5.51	7,887	45
August, 09	7.77	5.63	32,174	129
September, 09	8.19	6.87	28,872	112
October, 09	7.38	5.90	63,146	181
November, 09	7.50	6.00	34,616	135
December, 09	7.93	6.51	46,056	199
January, 10	13.23	7.65	99,956	377
February, 10	10.47	7.90	18,605	135
March, 10	8.80	6.52	72,863	226
Total			500,143	1,848

(NSE)

Month	High(Rs)	Low(Rs)	No. of shares traded	No. of trades
April, 09	6.10	4.95	9,757	83
May, 09	5.90	4.65	13,163	94
June, 09	8.45	6.20	32,087	126
July, 09	6.65	5.75	11,732	91
August, 09	7.70	5.70	31,263	123
September, 09	8.05	6.85	26,423	89
October, 09	7.50	6.00	27,589	92
November, 09	7.50	5.80	39,566	101
December, 09	7.85	6.60	43,549	238
January, 10	12.90	8.10	63,959	370
February, 10	10.05	7.70	16,282	147
March, 10	8.65	6.80	37,281	135
Total			352,651	1,689

8. Registrar cum Transfer Agents:**For Shares held in Depository mode**

The Company has engaged the services of M/s Link Intime India Pvt. Ltd., Mumbai (formerly Intime Spectrum Registry Ltd.), as Registrar & Share Transfer Agent for providing national connectivity to deal in shares in depository mode. Their address for communication is as under:

M/s Link Intime India Pvt. Ltd.,

C-13, Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup (W), Mumbai- 400 078

Tel: 022-25946970,

E-mail: rnt.helpdesk@linkintime.co.in.

For Shares held in Physical mode

As per SEBI directives with effect from 01/03/2003, M/s Link Intime India Pvt. Ltd. (formerly Intime Spectrum Registry Ltd.) also handles the transfer of shares in physical mode. All the correspondence with regard to share transfers, change of address and nomination are to be addressed to the share Transfer Agent i.e., M/s Link Intime India Pvt. Ltd. at their Mumbai address. The Demat request as well as request for transfer/transmission may primarily be sent to the Registrar and Share Transfer Agent as above.

Investors Help-Desk:

Requests or complaint in other matters such as Unpaid/Unclaimed Dividend/Debtenture Interest/Debtenture Redemption, Change of Address, Splitting of Shares or Conversion of Debtentures, copy of Annual Report be sent to Company's Shares Dept., at Rau-Pithampur Link Road, Tehsil Mhow, Dist. Indore - 453 332 (M. P.) India. Email : share3@stitextile.net

Compulsory Dematerialized Trading

As the Shareholders are aware the Securities and Exchange Board of India (SEBI), has included equity

shares of the Company for compulsory dematerialized trading for all investors with effect from 24th July, 2000. The Company has already entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable Members of the Company to select the depository of their choice for holding and dealing in shares in electronic form. The shareholders may also note that more than 84.17% holding of the Company has already been dematerialized. The shareholders are requested to make use of such facility for maximizing their convenience in the dealing of Company's shares. The ISIN (International Securities Identification Number) of the Company is **INE 090C01019**.

Names of Depositories In India for Dematerialisation of Equity shares

- National Securities Depository Limited (NSDL)
- Central Depository Services (India) Limited (CDSL)

9. Share Transfer System:

- A shareholder's request is normally attended and reply is sent in 10-20 days time.
- The certificates after transfer of shares are returned within one-month period except in the cases that are constrained for technical reasons.
- As per SEBI directives, Company has appointed M/s Link Intime India Pvt. Ltd., Mumbai as Common Agency to handle demated as well as physical transfer of shares also w.e.f. 01.03.2003.

10. Investor Relations:

All complaints received from shareholders have been cleared within the financial year. The complaints are generally replied to within 20 days from their lodging with the Company. The investors/members may write for their queries to Shares Department of the Company.

11. Distribution of shareholders:

a) Distribution of shareholding as on 31st March, 2010

Slab of Shareholders	Total No. Of Shareholders	Amount (Rs.)	% of Total Amount
1 to 500	6,139	1,07,94,300	87.50
501 to 1000	511	44,07,850	7.28
1001 to 2000	190	30,58,760	2.71
2001 to 3000	56	14,25,430	0.80
3001 to 4000	23	7,90,560	0.33
4001 to 5000	31	14,95,070	0.44
5001 to 10000	34	23,81,800	0.48
10001 and above	32	26,56,46,230	0.46
Total	7,016	29,00,00,000	100.00

b) According to categories of shareholders as at 31st March, 2010 (As per clause 35 of listing agreement)

Sr. No.	Category	No. of Shareholders	No. of Shares	% of Shares
A	Promoter's Holding			
1	Promoters			
	- Indian Promoters	8	15100	0.05
	- Foreign Promoters	-	-	-
2	Persons acting in Concert	4	1553300	5.36
	Sub-Total	12	1568400	5.41
B	Non-Promoters Holding			
	Institutional Investors			
1	Mutual Funds and UTI	2	300	0.001
2	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/Non-Government Institutions)	1	4000000	13.79
3	Overseas Private Investors (OPI's)	4	20461450	70.56
	Sub-Total	7	24461750	84.35
C	Others			
1	Private Corporate Bodies	145	4,13,756	1.43
2	Indian Public	6,506	23,67,797	8.16
3	NRIs / OCBs	309	1,56,732	0.54
4	Any other (please specify)-	37	31,565	0.11
	Sub-Total	6,997	29,69,850	10.24
	GRAND TOTAL	7,016	2,90,00,000	100.00

c) Dematerialization of shares and liquidity

As notified by SEBI, the Company's equity shares have been included for compulsory trading in electronic form (demat mode) with effect from 24th July 2000. As on 31st March, 2010, the total percentage of shares in Demat form was 84.17 % i.e. 2,44,10,644 shares, while in the year 2008-09 it was 84.09 % i.e. 2,43,87,433 shares. During the year 23,211 equity shares held in physical form got demated, in comparison to 13,625 shares demated in the previous year.

Dematerialisation of Shares : as on 31st March, 2010 is as follows:

Mode of Holding	No. of Shares Held	% of Shares
NSDL	2,35,56,667	81.23
CDSL	8,53,977	02.94
Total Demat Holding	2,44,10,644	84.17
Physical Holding	45,89,356	15.83
Total Shareholding	2,90,00,000	100.00

d) Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity.

The Company had issued 3,21,80,000 Optionally Convertible Debentures (OCDs) to Overseas Private Investors (OPIs) after approval of Shareholders in EGMs held on 18th January, 2007 and 23rd March, 2007 for the tenure of 6/18 months. As per the terms of issue the Debentures, the issue of which has been approved by the Shareholders, already been due for redemption, and not opted for conversion, within a period of 6 / 18 months as per the terms of their issue. The option to convert the said



OCDs has elapsed in the financial year 2007-08 and 2008-09.

Earlier the Overseas Private Investors have on default in interest payment by the Company, due to adverse market conditions, advised the public trustees i.e. IDBI Trusteeship Services Limited (ITSL) to invoke the pledge on 1,18,14,114 equity shares held by the promoters and others. After invocation of pledge, the promoter's holding has come down significantly and as on 31st March, 2010 is 5.41%.

The Company does not have any other Debentures / GDRs/ ADRs/ Bonds / Warrants.

e) Plant Location:

The Company has only one unit located at Rau-Pithampur Link Road, Tehsil Mhow, District Indore - 453 332 (M.P.) INDIA. The main Products of the Unit are manufacturing of Cotton Yarn and Cotton Knitted Fabric.

12. Public Deposits:

The Company has not accepted any Public Deposit Under Section 58AA of the Companies Act, 1956.

13. CFO Certificate:

The CFO certification as stipulated in Clause 49(V) of the Listing Agreement is annexed.

14. Compliance Certificate of the Auditors:

The Company has obtained a certificate from the Statutory Auditors regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 (VIII) of the Listing Agreement and the same is annexed.

For and on behalf of the Board of Directors
For **STI India Limited**

Dr. R.B. Baheti
Chairman

Place : Mumbai
Date : 25th November, 2010

Declaration on the Compliance of the Company's Code of Conduct

To,

The Members of STI India Limited

The Company has framed a specific code of conduct for the Members of the Board of Directors and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges to further strengthen Corporate Governance practices in the Company.

All the Members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said code of conduct in so far as it is applicable to them and there is no non compliance there of during the year ended March 31, 2010.

For and on behalf of the Board of Directors
For STI India Limited

Place : Mumbai
Date : 25th November, 2010

Dr. R. B. Baheti
Chairman

CFO CERTIFICATE

I, S.D. Naik, Chief Financial Officer of STI INDIA LIMITED to the best of my knowledge and belief, certify that:

- a) I have reviewed the financial statements and the cash flow statement for the year and that to the best of my knowledge and belief:
 - I. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - II. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violate of the Company's code of conduct.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting and I have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware the steps I have taken or propose to take to rectify these deficiencies.
- d) I have indicated to the auditors and the Audit committee -
 - (i) significant changes in internal controls over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have also been disclosed in the notes to accounts to the financial statements; and
 - (iii) instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For and on behalf of the Board of Directors
For STI India Limited

Place : Mumbai
Date : 25th November, 2010

S. D. Naik
Chief Financial Officer



COMPLIANCE CERTIFICATE BY THE STATUTORY AUDITOR'S

**To,
The Members of STI India Limited**

1. We have examined the compliance of conditions of Corporate Governance by STI India Limited, for the year ended on March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.
2. The compliance of conditions of corporate governance is responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our Information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We state that as per the records maintained by the company, no investor grievance is remaining pending for a period exceeding one month.
5. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For Vikas Kochhar & Associates
Firm Registration No.: 014536N
Chartered Accountants

Place: New Delhi
Date : 25th November, 2010

Vikas Kochhar
Partner
M. No. 87054

Management Discussion and Analysis 2009-10

Textile Industry - Structure and Development

Indian textile industry is a big contributor to India's growth and development. During the year 2009-10 the textile exports from the country have increased from US\$ 18.6 billion to around US\$ 20 billion. The Textile industry provides direct employment to about 35 million people.

The textile industry is gradually expanding in Asian countries of India, China, Taiwan, Pakistan and Indonesia. However, due to increasing cost of production in these countries, the textile industry is rapidly increasing in low cost countries of Vietnam, Cambodia, Thailand and Bangladesh.

Based on current statistics, the global textile market is more than US\$ 400 billion. Between 2002 to 2010 it is estimated that the global textile production will increase by staggering 25 percent and Asia will be the major contributor to this tremendous growth.

Cotton Scenario

India has produced around 305 lac bales during 2009-10 and the Cotton Association of India has estimated the Indian crop for the season 2010-11 at 357 lac bales during 2009-10, India exported around 82 lac bales of raw cotton during 2009-10 while the government has given the permission to export to 55 lac bales during 2010-11. According to International Cotton Advisory Committee (ICAC), the global cotton production in 2009-10 was 21.8 million tones and consumption was 24.6 million tones, the cotton production in 2010-11 is likely to be 25.2 million tones and consumption would be 25.1 million tones.

The average cotlook index for the season 2009-10 was 78 cents per pound and ICAC has estimated the same to be 106 cents per pound during 2010-11.

Company Structure and Developments

STI India Limited was a 100% EOU situated amidst the cotton growing belt of Madhya Pradesh having 68016 Spindles and 16 Knitting Machines and producing 100% Cotton Yarns and Knitted Fabrics. The Company Debonded on 24.04.2009 and is now a DTA Unit.

During the year 2009-10, STI has enhanced its production capabilities to move ahead in terms of value addition. The Company was also able to increase sales of value added products such as Organic Cotton Yarn and Elitwist Yarn, mainly to high-end European market which helped in receiving comparatively better realizations.

All efforts are being made for maximum capacity utilization, aggressive marketing and cost reduction.

Management perception of Risk & concern

The major challenge to the industry in the last year was the general slow down of major economies of the world. The textile industry, the second largest employer in the country and foreign currency earner, also got due attention and support from Government, however, more attention is required for addressing the issues of competitiveness of the Textile Industry on long-term

basis.

Our major raw material - Cotton is an agriculture produce, which suffers from climatic volatility in the major cotton producing countries. In addition, growing demand as well as overall increase in prices of commodities in the world has pushed up the prices of domestic cotton as well leading to pressure on the Textile Industry. We are making all efforts to cope up with the challenges through continuous cost reduction, process improvements and improved customer services to mitigate the growing cost pressure.

The health of textile units is primarily dependant on adequate availability of quality cottons at competitive prices. With the augmented supply of quality seeds and larger production of hybrids and Bt. Cottons, production and productivity of cotton in India have been progressively increasing. Therefore, the supply of quality cotton is expected to be comfortable in 2010-11. This augurs well for the future growth of the textile industry.

To over come the situation, we are looking at the following possibilities:

1. To increase our sales in the domestic market as well international market where realization is better.
2. To increase production of more value added yarns like Organic yarns, Elitwist yarns and TFO yarns.
3. To look at the possibility of producing contamination free yarns by importing the raw cotton.

FUTURE, FUTURE OUTLOOK AND MARKETING STRATEGY

While the appreciating Rupee and hardening of raw cotton prices have hit price realization for all textile and garment industry in previous years. This has also happened when the industry has expanded its capacities significantly in last four years. Your Company has been surviving in this turmoil because of its superior quality, prompt services and close relationship with clients & customers, cost cutting measures for controlling manpower, power cost, administrative cost and better HR practices.

The Government of India has taken several measures to stimulate the Indian economy. The textile industry, the second largest employer in the country and foreign currency earner, also got due attention and support from Government of India and the Company also expects that the Government of India shall continue to provide fiscal support for textile industry. All the above measures will help placing the Company on a path of sustained growth with improved margins.

Despite adverse financial parameters, India continues to be a preferred choice of American, European and other developed markets especially in the high- end segment and major global retailer / outlets. India has also increased its acceptance in the world as an emerging economic power. The policy support being provided by the Indian Government to the entire yarn, textile and garment industry and the process of labour reforms initiated in



India as well as enhanced government spending in the agriculture and farm sector is going to improve prospects for high value added products procurement from India and presents an excellent opportunity for the industry in the coming years. Therefore, we expect that government support to the yarn, textile and garment industry will continue.

The de-bonding is yielding better realization to the Company on its sales due to freedom of marketing its products in the market where realization is higher. With a view to keep pace with ever-increasing competition, the Company is increasing production of value added products such as Organic Yarn, Elitwist Yarn and TFO Yarn. However, these efforts be further supported due to DTA Unit under EPCG Scheme. The company will also make all efforts that its knitting capacity is also fully utilized in the current year. The cost cutting measures is being adopted by the Company in most of the operationalised area and focus on quality product will also help to improve the performance of the Company.

Expecting improved demand in export markets and better price realization in the domestic market, the Company will continue to focus in increasing its supplies to the market where price realization is better.

Product wise Performance- Cotton Yarn and Cotton Knitted Fabric

During the year 2009-10 the Company produced 13031 MT in comparison to 14149 MT in the previous year. The average sales realization was higher at Rs. 120.45 per Kg. (Rs. 109.97). During the year the utilization of Company's knitted fabric capacity was lower producing 13.53 Lacs Kg knitted fabrics in comparison to the production of 13.90 Lacs Kg fabrics in the previous year. For discussion on financial & operational performance please refer to Directors' Report on performance review.

Segment-wise or Product-wise Performance

The Company is engaged in the business of manufacture and export of Cotton Yarn and accordingly this is the only single reportable Segment.

Internal Control System and their Adequacy

The Company has a proper and adequate system of internal controls to ensure that all assets are safe guarded and protected against loss from unauthorized use of disposition, and the transactions are authorized, recorded and reported correctly. The internal control systems of the Company comprises of Statutory Audit, Cost Audit and Internal Audit. The work of all the audits have been assigned to reputed, external, independent and qualified people.

The Audit Committee periodically review the adequacy and effectiveness of the internal controls and suggest improvements so that the internal controls system be strengthened further with commensurate growth and size of the Company and concentrated its efforts to improve the system in such a way that the financial and other data should be reliable while preparing the financial statements and maintaining accountability of its assets and in accordance with the applicable laws and that every transactions whether it is a financial nature or any other must describe their true nature.

Outlook

The world fashion is changing continuously and we have to keep pace with the current trends. In order to increase the profitability, every one is moving towards value addition and STI India is no exception to it. STI India Limited is registered with Control Union, Netherland to produce the Organic Yarns. STI India has increased the production of Elitwist Yarn, Organic Yarn, TFO Yarn for better realisation.

STI India has increased its presence in European/ USA/Canada market by supplying around 70% of the total exports to these destinations. These markets generate a better realization and demands superior quality as compared to the traditional Far East market, which is a low-priced markets. There are good prospects for increasing exports of cotton yarn to European Countries. Our company continues to make special efforts to tap new markets, apart from traditional market.

Internal Relation & Human Resource Management

Our Philosophy is "Human Recourse is more important than any other factor for achieving efficiency, productivity and quality. Human Relationship Management is the greatest Asset of the Unit.

Realizing that the human capital is the company's greatest asset, the upgradation of skills, personality and attitude of its employees is always looked after. The Company has also obtained the Certificate for Social Accountability 8000:2008, which provides Standard based on International Human Rights Norms and National Level Laws. Other measures are also being implemented for enhancing the motivation and commitment of the work force and building up a unique positive work culture. Industrial relations throughout the year were cordial. The Company places on record its appreciation for the valuable contributions made by employees at all levels

Cautionary Statement

Statements made in this report describing the Company's projections, estimates, expectations, or predictions may be 'forward looking predictions' within the meaning of applicable securities laws and regulations. Actual results may differ from such estimates, projections etc. whether expressed or implied. Factors which would make a significant difference to the Company's operations include availability of quality raw cotton, market prices in the domestic and overseas markets, changes in Govt. Regulations and tax laws, economic conditions affecting demand / supplies and other environmental factors over which the Company does not have any control.

AUDITORS' REPORT

To,

The Members of STI India Limited

We have audited the attached Balance Sheet of STI India Limited as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order 2004 (together 'the Order') issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 (the "Act"), and on the basis of such checks as were considered appropriate and according to the information and explanations given to us, we enclose in the annexure hereto a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards as referred to in section 211(3C) of the Companies Act, 1956 *except for*:

-Non Compliance of Accounting Standards 26 "Intangible Asset" in respect of amortization of computer software (Ref. Schedule No. 25, Note No.15) and

-Non Compliance of Accounting Standard 1 "Disclosure of Accounting Policies" in respect of Interest amounting to Rs. 2.41 crores on delayed payments to suppliers being accounted for on cash basis. (Ref. Schedule No. 25, Note No. 14).

v) *The Company has not redeemed the Optionally Convertible Debentures Series-2, (which became due on 16th October 2007), Series-1 & 3 (which became due on 02nd August 2008) and series 4 (which became due on 16th October 2008), apparently the provisions of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 are attracted due to such default. The management is of the firm belief that the default in redeeming the debentures is merely technical in nature, since economic ownership of the Optionally Convertible Debentures and Majority Share-holding of the company are held by the same Investors. Further, the management has obtained a legal opinion also on the same, according to which the provisions of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 are not applicable due to non obstante clause contained in provision of section 22 and 32 of Sick Industrial Company (Special Provision) Act, 1985.*

Given the legal opinion and views express by the management, we have refrained from expressing our opinion on the applicability of said section to the directors of the company.

vi) Attention is drawn to

- (a) Note No. 7 of Schedule 25 regarding failure of the company to redeem the OCDs on its due dates.
- (b) Note No. 8 of Schedule 25 regarding transfer of all series of Optionally Convertible Debentures by the debenture holders to a third party.
- (c) Note No. 9 of Schedule 25 regarding waiver of interest due and payable on Optionally Convertible Debentures by the debenture holders.
- (d) Note No. 10 of Schedule 25 regarding waiver of principal outstanding amounting to Rs. 28.18 crores by the debenture holders on the Optionally Convertible Debentures due and payable by the company.
- (e) *Note No. 12 of Schedule 25 regarding the changes in the Accounting Policy of valuation of closing stock. As a result of change in the Accounting Policy, the value of closing stock has decreased by Rs. 14,47,399/-.*
- (f) *Note No. 14 of Schedule 25 regarding accounting of Interest amounting to Rs. 2.41 crores on delayed payments to suppliers on cash basis.*
- (g) *Note No. 15 of Schedule 25 regarding Non Compliance of Accounting Standard 26 "Intangible Asset" in respect of amortization of computer software.*
- (h) *Note No. 18 of Schedule 25 regarding non-provision of Wealth tax liability in the books of accounts.*
- (i) *Point No. 9(b) of the report annexed regarding tax liability amounting Rs. 40.77 lacs outstanding for a period of more than six months.*
- (j) *Point No. 10 of the report annexed regarding the accumulated losses of the Company exceeding its net worth reflecting erosion of entire net worth.*

(k) *Point no. 11 of the report annexed regarding default to the extent Rs. 141 crores in respect of Optionally Convertible Debentures (all series).*

(l) *Point no. 21 of the report annexed regarding certain financial transactions read with point no. 19 of the notes to accounts.*

cumulatively resulting in overstatement of loss for the year by Rs. 14.47 lacs.

vii) *Subject to our comments in paragraph 2(vi) above, in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes appearing in Schedule 25, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.*

a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010; and

b) In the case of the Profit and Loss Account, of the loss for the year ended on that date.

c) In the case of Cash Flows Statement, of the cash flows for the year ended on that date.

For Vikas Kochhar & Associates
Firm Registration No.: 014536N
Chartered Accountants

Vikas Kochhar
Partner
M.No. 87054
Place: New Delhi
Date : 25th November, 2010

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date to the members of STI India Limited for the year ended 31st March, 2010)

1. a) The Company has maintained proper records showing particulars, quantitative details and situation of its fixed assets.
- b) The company has a programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Management has physically verified the fixed assets according to the programme and no discrepancies have been noticed on such verification as compared to book records.
- c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and as such the disposal, has not affected the going concern status of the Company.
2. a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable having regard to the nature of business and particular circumstances.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) In our opinion and information and explanation given to us, the company has maintained proper records of inventories and no material discrepancies were noticed on physical verification.
3. a) According to the information and explanations given to us the company during the year, the company has taken unsecured loans from two companies covered in the register to be maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.87 lacs and the year-end balance of loan taken from such party was Nil.
- b) In our opinion, the rate of interest and other terms and conditions of loan taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie, prejudicial to the interest of the company.
- c) In respect of the aforesaid loans, the company is regular in repaying the principal amounts as stipulated, where applicable and has been regular in the payment of interest.
- d) According to the information and explanations given to us the company during the year has not granted any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clauses 4(iii) (b) to (d) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls system of the company.
5. a) As explained to us, there are no contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- b) According to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements required to be entered in the register maintained under Section 301 of the Companies Act, 1956.
6. The company has not accepted any deposits from the Public within the meaning of section 58A & 58AA of the Companies Act, 1956 and rules framed thereunder.
7. In our opinion, the Company has an internal audit system, commensurate with the size and nature of its business.
8. We have broadly reviewed the books of accounts relating to material, labour and other items of cost maintained by the company pursuant to the Rules made by Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts & records have been made and maintained.
9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues have been generally regularly deposited with the appropriate authorities.
- (b) *According to the information and explanations given to us and the records of the company examined by us, no undisputed amounts, except the followings payable in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess, were in arrear as at 31.03.2010 for a period of more than six months from the date they became payable.*

Statement of Arrears of statutory dues outstanding for more than six months as at 31st March 2010:

S. No.	Nature of the Dues	Amount (Rs. in lacs)	Period to which amount relates
1	Central Sales Tax	3.87	1995-96
2	Central Sales Tax	12.65	1997-98
3	Entry Tax	11.40	1996-97
4	Entry Tax	4.04	1997-98
5	Madhya Pradesh Sales Tax (M.P.S.T)	8.39	1997-98
6	Sales tax against C-form	0.42	2009-10
	Total	40.77	

Interest amount on the above dues (S.No 1 to 4) as on 31st March 2010 is Rs. 39.55 lacs.



- (c) According to the information & explanation given to us, the following statutory dues of the company have not been deposited on account of disputes:

Nature of the	Nature of the Dues	Amount (Rs. In Laacs)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax Act, 1956	Central Sales Tax	66.88	1995-96	Writ Petition filed in M.P. High Court.
State Sales Tax Act	State Sales Tax	11.28	1997-98	Writ Petition No. 1068 / 2003 pending before M.P High Court
Central Sales Tax Act, 1956	Central Sales Tax	1.43	2004-05	Appeal filed in M.P. Commercial Tax Appellate Board Bhopal
Central Excise Act, 1944	Excise Duty	2129.07	March 2004 to September 2008	Commissioner of Customs & Central Excise
Central Excise Act, 1944	Excise Duty	27.03	September 2004	CESTAT, New Delhi
Central Excise Act, 1944	Excise Duty	65.49	March 2004 to September 2004	In the High court of M.P
Central Excise Act, 1944	Cenvat credit of Service tax	11.24	October 2005 to March 2008	Additional Commissioner, Custom, Central Excise, Service tax Indore

10. "In our opinion, the accumulated losses of the Company are more than its net worth reflecting erosion of its entire net worth". During the current financial year the company has not incurred cash losses. However, during the immediately preceding financial year, to the current financial year, the company has incurred cash losses.
11. According to the records of the company examined by us and the information and explanation given to us, the company has defaulted in repayment of dues to debenture holders.

In respect of Optionally Convertible Debentures (all series) amounting to Rs. 141 crores, the company has defaulted in redemption of such debentures falling due on or before 16-10-2008, the detail of such are given below. However, post balance sheet date, in the month of October, 2010, the debenture holders have waived the principal amounting to Rs. 28.18 crores and outstanding interest due to them payable by the company and thereafter transferred these OCDs to a third party. The company has also defaulted in payment of interest thereon, however, post balance sheet, the debenture holders have also waived the interest due thereon.

Date of allotment	OCD Series	Amount (Rs in Crores)	Date of maturity
02-02-07	OCD 1	22.90	02-08-08
16-04-07	OCD 2	13.00	16-10-07
02-02-07	OCD 3	5.10	02-08-08
16-04-07	OCD 4	100.00	16-10-08
		141.00	

12. Based on our examination of the records and the information & explanations given to us, the company has not granted any loans and / or advances on the security by way of pledge of shares, debentures and other securities. Accordingly, the provisions clause 4 (xii) of the order are not applicable.
13. In our opinion, the provisions of clause 4(xiii) of the order are not applicable to the company, as the company is not a chit fund company or nidhi / mutual benefit fund / society.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the order are not applicable to the company.
15. According to the information and explanations given to us, during the year the company has not given any guarantee for loans taken by others from banks and financial institutions.
16. In our opinion, and according to the information and explanations given to us, the company has not taken any term loan during the year.
17. According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investments.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. During the year the company has not issued any debentures.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the company, carried out in accordance with generally accepted auditing practices in India, we have read with point no. 19 of the notes to accounts neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such cases by the management.

For **Vikas Kochhar & Associates**
Firm Registration No.: 014536N
Chartered Accountants

Vikas Kochhar
Partner
M. No. 87054
Place: New Delhi
Date : 25th November, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

PARTICULARS	SCHEDULE	As At 31/03/2010 (Rs. in Lacs)	As At 31/03/2009 (Rs. in Lacs)
SOURCES OF FUNDS			
Shareholders' Funds:			
Share Capital	1	2900.00	2900.00
Reserves and Surplus	2	40.01	<u>40.01</u>
		2940.01	2940.01
Loan Funds:			
Secured Loans	3	14735.95	15075.94
Deferred Credits	4	-	<u>2.96</u>
		14735.95	<u>15078.90</u>
TOTAL		17675.96	<u>18018.91</u>
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block		23474.05	23332.43
Less: Depreciation		13401.83	<u>12260.17</u>
Net Block	5	10072.22	11072.26
Capital Work in Progress & Advances		24.22	<u>22.51</u>
		10096.44	11094.77
Investments	6	1199.93	1199.93
Current Assets, Loans and advances			
Inventories	7	1275.69	433.87
Sundry Debtors	8	598.66	637.38
Cash and Bank Balances	9	79.26	244.60
Other Current Assets	10	95.96	56.37
Loans and Advances	11	529.39	<u>566.10</u>
		2578.96	1938.32
Less: Current Liabilities and Provisions:	12	3899.42	<u>3234.71</u>
Net Current Assets		(1,320.46)	(1,296.39)
Profit and Loss Account	13	7700.05	<u>7020.60</u>
TOTAL		17675.96	<u>18018.91</u>
Notes on Accounts & Accounting Policies	25		

The Schedules referred to herein form an integral part of Balance Sheet

As per our report attached
For **Vikas Kochhar & Associates**
Firm Registration No. 014536N
Chartered Accountants

Vikas Kochhar
Partner
M.No.: 87054

Place : New Delhi
Date : 25th November, 2010

For and on behalf of Board of Directors
For **STI India Limited**

Dr. R. B. Baheti : *Chairman*
K. N. Garg : *Director*
Raj Kumar Bhawsar : *Company Secretary*

Place : Mumbai
Date : 25th November, 2010

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

PARTICULAR	SCHEDULE	Year ended 31/03/2010 (Rs. in Lacs)	Year ended 31/03/2009 (Rs. in Lacs)
INCOME			
Sales	14	17635.53	17556.89
Other Income	15	<u>355.57</u>	<u>307.59</u>
TOTAL		<u>17991.10</u>	<u>17864.48</u>
EXPENDITURE			
Materials	16	13360.97	13624.36
Finished Goods Purchase		60.75	-
Excise Duty		11.89	153.49
Manufacturing Expenses	17	2366.65	2360.09
Employees' Remuneration and Benefits	18	997.49	982.53
Administrative Expenses	19	258.37	272.13
Selling and Distribution Expenses	20	302.80	389.91
Interest (Refer Schedule 25 Note No 14)	21	334.62	323.00
Other Finance Charges	22	29.49	3.90
Depreciation		1150.51	1148.10
(Increase)/Decrease in Stock (Refer Schedule 25 Note No 12)	23	<u>(205.75)</u>	<u>100.38</u>
TOTAL		<u>18667.79</u>	<u>19357.89</u>
Profit /(Loss) for the year		(676.69)	(1,493.41)
Fringe Benefit Tax		-	11.00
EXTRA ORDINARY ITEMS			
Prior year adjustments		3.56	5.18
Provisions written back		(0.80)	(0.14)
Provision for Doubtful Advances		-	2,450.75
Net Profit after extra ordinary items		<u>(679.45)</u>	<u>(3,960.20)</u>
Balance brought forward from last year		<u>(10,793.60)</u>	<u>(6,833.40)</u>
Balance carried to Schedule 13		<u>(11,473.05)</u>	<u>(10,793.60)</u>
Earning per Share -Basic & Diluted (In Rs.)			
Before Extra Ordinary items		-2.33	-5.19
After Extra Ordinary items		-2.34	-13.66
Quantitative and other information	24		
Notes on Accounts & Accounting Policies	25		

The Schedules referred to herein form an integral part of Profit and Loss Account.

As per our report attached
For **Vikas Kochhar & Associates**
Firm Registration No. 014536N
Chartered Accountants

Vikas Kochhar
Partner
M.No.: 87054

Place : New Delhi
Date : 25th November, 2010

For and on behalf of Board of Directors
For **STI India Limited**

Dr. R. B. Baheti : Chairman
K. N. Garg : Director
Raj Kumar Bhawsar : Company Secretary

Place : Mumbai
Date : 25th November, 2010

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS ON 31ST MARCH, 2010

PARTICULARS	As At 31/03/2010 (Rs. in Lacs)	As At 31/03/2009 (Rs. in Lacs)
Schedule: 1		
Share Capital :		
Authorised		
4,00,00,000 (Previous year 4,00,00,000) Equity Shares of Rs.10/-each	4000.00	4000.00
5,00,000 (Previous year 5,00,000) Preference Shares of Rs.100/- each	500.00	500.00
	<u>4500.00</u>	<u>4500.00</u>
Issued, Subscribed & Paid up		
2,90,00,000 (Previous year 2,90,00,000) Equity Shares of Rs.10/- each fully paid up	2900.00	2900.00
TOTAL.	<u>2900.00</u>	<u>2900.00</u>
Schedule: 2		
Reserves and Surplus :		
Capital Reserve	40.01	40.01
TOTAL	<u>40.01</u>	<u>40.01</u>
Schedule: 3		
Secured Loans:		
Debentures (Refer Schedule 25 Note No. 6 to 7)		
Optionally Convertible Debentures (OCD Series 1)	2,290.00	2,290.00
Optionally Convertible Debentures (OCD Series 3)	510.00	510.00
Optionally Convertible Debentures (OCD Series 2)	1,300.00	1,300.00
Optionally Convertible Debentures (OCD Series 4)	10,000.00	10,000.00
	<u>14,100.00</u>	<u>14,100.00</u>
Term Loans		
Financial Institutions	265.98	421.49
	<u>14,365.98</u>	<u>14,521.49</u>
Working Capital Loan from Banks		
- Bills Discounted	369.97	554.45
TOTAL	<u>14,735.95</u>	<u>15,075.94</u>

- The details of Optionally Convertible Debentures carrying coupon rate of 12% p.a. compounded net of taxes are given hereunder:-
 - 4580000 Optionally Convertible Debentures (OCD Series 1) of Rs. 50/- each optionally convertible (at Rs. 50/- per share) or redeemable within 18 months from allotment on 2nd February 2007
 - 5000000 Optionally Convertible Debentures (OCD Series 3) of Rs. 10.20 each optionally convertible (at Rs. 10.20 per share) or redeemable within 18 months from allotment on 2nd February 2007
 - 2600000 Optionally Convertible Debentures (OCD Series 2) of Rs. 50/- each optionally convertible (at Rs. 50/- per share) or redeemable within 6 months from allotment on 16th April, 2007
 - 20000000 Optionally Convertible Debentures (OCD Series 4) of Rs. 50/- each optionally convertible (at Rs. 50/- per share) or redeemable within 18 months from allotment on 16th April, 2007
- OCD Series 1, 3 & 4 are secured against equitable mortgage of the present and future immovable properties (excluding certain properties having specific charge), first charge on the present and future movable fixed assets of the Company, and second pari-pasu charge on all non fixed assets of the Company.
- OCD Series 2, are secured by first charge on all non fixed assets of the Company and second pari - pasu charge on present and future movable fixed assets of the Company.
- Term loan to the extent of Rs 265.98 lacs (Previous year Rs 421.49 lacs) from GIC Housing Finance is secured by mortgage/equitable mortgage of housing complex at factory premises of the Company
- Loans repayable within one year Rs. 159.39 lacs (Previous year Rs 190.41 lacs) including interest.
- Working capital loan, are secured by first charge on all hypothecated stock, book debts, other current asset and plant & machinery and equitable mortgage of immovable property situated at Indore, Tehsil-Mhow bearing survey No. 35&36/1, P.H. 2 Sonvay as collateral.



PARTICULARS

As At
31/03/2010
(Rs. in Lacs)

As At
31/03/2009
(Rs. in Lacs)

Schedule: 4

Deferred Credits

Hire Purchases Creditors	-	3.19
Less : Future interest payable	-	0.23
TOTAL	-	2.96

Schedule : 05

Fixed Assets

(Rupees in lacs)

S. N.	PARTICULARS	GROSS BLOCK				LESS DEPRECIATION				NET BLOCK	
		As at 31.03.2009	Additions/ Transfers	Deductions/ Transfers	As at 31.03.2010	Up to 31.03.2009	For the year	Written back	Up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
A	Leasehold Land	279.02	-	-	279.02	5.00	3.21	-	8.21	270.81	274.02
B	Freehold Land	34.84	33.09	-	67.93	-	-	-	-	67.93	34.84
C	Site Development	275.42	0.56	-	275.98	3.17	3.17	-	6.34	269.64	272.25
D	Factory Building	2606.35	-	-	2606.35	1038.10	87.05	-	1125.15	1481.20	1568.25
E	Non Factory Building	771.71	-	-	771.71	137.09	12.58	-	149.67	622.04	634.62
F	Plant and Machinery	19121.94	106.03	-	19227.97	10917.01	1024.81	-	11941.82	7286.15	8204.93
G	Vehicles	44.79	9.34	10.07	44.06	23.32	5.60	7.81	21.11	22.95	21.47
H	Computer	35.81	1.01	-	36.82	21.40	5.35	-	26.75	10.07	14.41
I	Furniture, Fixtures	162.55	0.35	1.26	161.64	115.07	8.69	1.03	122.73	38.91	47.48
J	Office Equipments	-	2.57	-	2.57	-	0.05	-	0.05	2.52	-
	TOTAL	23332.43	152.95	11.33	23474.05	12260.16	1150.51	8.84	13401.83	10072.22	11072.27
	Work in Progress										
	Machinery under installation	22.51	24.22	22.51	24.22	-	-	-	-	24.22	22.51
	TOTAL	23354.94	177.17	33.84	23498.27	12260.16	1150.51	8.84	13401.83	10096.44	11094.78
	Previous year	23314.11	53.96	13.13	23354.94	11113.04	1148.10	0.98	12260.16	11094.78	12201.07

Schedule: 6

Investments :

Shares (Long term)		
Unquoted: (Fully paid)		
* 11999300 Equity Shares of Rs.10 /- each		
in STI Sanoh India Limited,	1199.93	1199.93
(Refer Schedule 25 Note No. 3)		

Note : * Pledged with IDBI against loans to STI Sanoh India Ltd.

TOTAL	1199.93	1199.93
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Schedule: 7

Inventories:

(As Certified by the Management)

Stores, Spares and Tools	47.86	39.43
Raw Materials	725.45	97.82
Finished Goods	276.20	123.87
Work-in-progress	213.33	153.27
Waste/Scrap	12.85	19.48
TOTAL	1275.69	433.87

Schedule: 8

Sundry Debtors:

(Unsecured, considered good)		
Over Six Months	-	5.33
Others	598.66	632.05
TOTAL	598.66	637.38

PARTICULARS	As At 31/03/2010 (Rs. in Lacs)	As At 31/03/2009 (Rs. in Lacs)
Schedule: 9		
Cash and Bank Balances:		
Cash in hand	3.78	2.97
Balance with Scheduled Banks:		
In Current Account	75.48	241.63
TOTAL	79.26	244.60
Schedule: 10		
Other Current Assets:		
Claims Receivable	95.96	56.37
(Excise, Export Incentives and CST/VAT etc.)		
TOTAL	95.96	56.37
Schedule: 11		
Loans and Advances:		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind- or for value to be received		
Suppliers, Employees & Others	51.85	45.44
Considered Doubtful	2450.75	2450.75
Less: Provision	2450.75	2450.75
	-	-
Income Tax/Sales Tax	68.20	61.16
Foreign currency receivable	108.98	-
Deposits/Balance with Government- Authorities and others	300.36	459.50
TOTAL	529.39	566.10
Schedule: 12		
Current Liabilities and Provisions		
a. Current Liabilities		
Sundry Creditors	3042.68	2360.80
Statutory Dues	72.66	63.95
Customers' Deposits and Credit Balances	532.69	658.66
Foreign currency payable	108.65	-
Deffered premium	0.14	-
Outstanding Expenses	6.67	4.93
	3763.49	3088.34
b. Provisions		
Leave Encashment	37.93	42.64
Employees Gratuity	47.87	53.60
Fringe Benefit Tax	50.13	50.13
	135.93	146.37
TOTAL	3899.42	3234.71
Due to Small Scale Industries having outstanding exceeding Rs. 1.00 lac for more than 30 days, within the agreed terms	Nil	Nil
Schedule: 13		
Debit Balance in Profit & Loss Account :		
Debit Balance as per Profit & Loss Account	10793.60	6833.40
Addition for the year Loss (Profit)	679.45	3960.20
	11473.05	10793.60
Less Securities Premium *	(3,773.00)	(3,773.00)
TOTAL	7700.05	7020.60

* The Securities Premium is shown as deduction from the accumulated losses not with a view to off set such losses but with a view to exhibit that the said reserves and surplus are not represented by tangible assets.

**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT, AS ON 31ST MARCH, 2010**

PARTICULARS	Year Ended 31/03/2010 (Rs. in Lacs)	Year Ended 31/03/2009 (Rs. in Lacs)
Schedule: 14		
Sales:		
(Less: Returns)		
Domestic :		
Cotton Yarn	2757.22	3627.42
Cotton Waste	1929.98	1912.24
Knitted Fabric	893.14	250.99
	<u>5580.34</u>	<u>5790.65</u>
Export :		
Cotton Yarn	11117.60	10291.80
Cotton Waste	10.55	85.58
Knitted Fabric	927.04	1388.86
	<u>12055.19</u>	<u>11766.24</u>
TOTAL	<u>17635.53</u>	<u>17556.89</u>
Schedule: 15		
Other Income:		
Interest (Gross)		
On Fixed Deposit with Bank/Others		
(Tax deducted at source Rs. 445209 /-		
Previous year Rs. 384125/-)	24.90	17.17
Duty Draw back / DEPB	228.13	247.94
Profit on sale of Assets	0.55	0.32
Sundry balance written off	1.01	10.50
Premium	0.19	-
Miscellaneous	100.79	31.66
TOTAL	<u>355.57</u>	<u>307.59</u>
Schedule: 16		
Materials		
Opening Stock	97.82	420.64
Add: Purchases and Incidental Expenses	13988.60	13301.54
	<u>14086.42</u>	<u>13722.18</u>
Less: Closing Stock	725.45	97.82
TOTAL	<u>13360.97</u>	<u>13624.36</u>
Schedule: 17		
Manufacturing Expenses:		
Stores & Spares	295.11	251.59
Packing Materials	293.53	291.80
Power & Fuel	1700.49	1763.50
Insurance	26.29	25.04
Repairs to Plant and Machinery	32.71	25.13
Repairs to Buildings	18.52	3.03
TOTAL	<u>2366.65</u>	<u>2360.09</u>

PARTICULARS	Year Ended 31/03/2010 (Rs. in Lacs)	Year Ended 31/03/2009 (Rs. in Lacs)
Schedule: 18		
Employees' Remuneration and Benefits:		
Salaries, Wages, Gratuity and Bonus	785.01	753.39
Contribution to Provident and Other Funds	71.05	67.12
Workmen and Staff Welfare	121.27	141.86
Managerial Remuneration	20.16	20.16
TOTAL	997.49	982.53
Schedule: 19		
Administrative Expenses:		
Rent, Rates and Taxes	10.60	7.70
Stationery and Communication	22.52	24.74
Professional Fee and Legal Charges	78.31	62.01
Travelling, Conveyance, Vehicle		
Running & Maintenance	67.25	108.23
Charity and Donations	0.26	0.45
Directors' Fees	0.75	0.90
General	78.68	68.10
TOTAL	258.37	272.13
Schedule: 20		
Selling & Distribution Expenses:		
Advertising and Publicity	2.26	1.46
Commission	133.60	101.53
Rebate and Discount on sale	26.38	44.26
Transportation, Insurance and others	114.10	207.19
TC Cess, THC & BPT Charges	26.46	35.47
TOTAL	302.80	389.91
Schedule: 21		
Interest:		
Fixed Loans	34.91	25.32
Others	299.71	297.68
TOTAL	334.62	323.00
Schedule: 22		
Other Finance Charges:		
Bank charges	29.49	3.90
TOTAL	29.49	3.90
Schedule: 23		
(Increase)/Decrease in Stock :		
Closing Stock:		
Finished Goods	276.20	123.87
Work-in-progress	213.32	153.27
Cotton Waste	12.85	19.48
	502.37	296.62
Opening Stock:		
Finished Goods	123.87	184.35
Work-in-progress	153.27	179.48
Cotton Waste	19.48	33.17
	296.62	397.00
(Increase)/Decrease	(205.75)	100.38



Schedule: 24

Quantitative and other information

(As certified by the Management)

(Figures in Brackets are for previous year)

	<u>Licensed Capacity</u>	<u>Installed Capacity</u>	<u>Production (Qty. in Lacs /kgs)</u>
1. Licenced & Installed Capacity and Production of Goods manufactured			
(a). Cotton yarn/ Polyester cotton yarn. Cotton Blended Yarn	68016 Spindles (68016 Spindles)	68016 Spindles (68016 Spindles)	130.66 * (141.07) *
(b). Cotton Knitted Fabric/Fabric P/C	16 M/cs (16 M/cs)	16 M/cs (16 M/cs)	13.53 (13.90)
* Including Captive Consumption 13.29 Lacs kgs (Previous year 14.07 Lacs Kgs)			
2. Turnover, opening and closing stocks of goods produced			

2. Turnover, opening and closing stocks of goods produced

	<u>Opening Stock</u>		<u>Turnover</u>		<u>Closing Stock</u>	
	Qty. (Lacs/Kgs.)	Amount (Rs In Lacs)	Qty. (Lacs/Kgs.)	Amount (Rs in Lacs)	Qty. (Lacs/Kgs.)	Amount (Rs in Lacs)
MANUFACTURING ACTIVITY						
a Cotton Yarn	1.01 (1.49)	110.66 (162.27)	116.10 (127.48)	13815.26 (13,919.22)	2.28 (1.01)	274.62 (110.66)
b Knitted Fabric	0.12 (0.22)	13.21 (22.08)	13.64 (14.00)	1820.18 (1,639.85)	0.01 (0.12)	1.58 (13.21)
c Waste	0.49 (0.83)	19.48 (33.17)	48.18 (49.32)	1940.52 (1,997.82)	0.27 (0.49)	12.85 (19.48)

3. Raw Material Consumed:	<u>Quantity (M.T.)</u>	<u>Percentage (%)</u>	<u>Value (Rs/Lacs)</u>
(a) Indigenous			
- Cotton	18,244.16 (19,308.19)	100.00 (100.00)	13,269.80 (13,539.10)
- Cotton Yarn	- (-)	- (-)	- (-)
(b) Imported			
- Cotton	- (-)	- (-)	- (-)
(c) Expenses on Raw Materials			91.17 (85.26)
	<u>18244.16</u> <u>(19308.19)</u>	<u>100.00</u> <u>(100.00)</u>	<u>13360.97</u> <u>(13624.36)</u>

	<u>Purchase</u>		<u>Turnover</u>		<u>Closing Stock</u>	
	Qty. (Lacs/Kgs.)	Amount (Rs In Lacs)	Qty. (Lacs/Kgs.)	Amount (Rs in Lacs)	Qty. (Lacs/Kgs.)	Amount (Rs in Lacs)
4. Yarn purchase for resale:	0.57 (-)	60.75 (-)	0.57 (-)	59.56 (-)	- (-)	- (-)

5. Stores and Spares Consumed:	Value (Rs.in Lacs)	Percentage
(a) Indigenous	237.17	84.28
	(191.51)	(78.22)
(b) Imported	44.25	15.72
	(53.32)	(21.78)
	281.42	100.00
	(244.83)	(100.00)
	Current year (2009-2010)	Prev. Year (2008-2009)
6. C.I.F. Value of Imports: (Rs/lacs)		
(a) Stores, Spares & HSD	38.00	54.79
(b) Capital Goods	38.70	-
7. Expenditure in Foreign Currency:		
(a) Foreign Travelling	5.30	10.94
(b) Commission on Export Sales	30.34	9.23
8. Earning in Foreign Exchange		
(a) FOB value of goods exported	4644.21	3413.26

SCHEDULE NO. 25

NOTES ON ACCOUNTS & ACCOUNTING POLICIES

1. SIGNIFICANT ACCOUNTING POLICIES

a. General:

The accounts of the Company are prepared on an accrual basis, under the historical cost convention and in accordance with the requirements of the Companies Act, 1956 and applicable mandatory Accounting Standards issued by the Institute of Chartered Accountants of India unless otherwise stated.

b. Fixed Assets:

Fixed Assets are stated at their original cost including freight, duties, taxes and other incidental expenses relating to acquisition and installation. Exchange difference in respect of liabilities incurred to acquire fixed assets is adjusted to the carrying amount of fixed assets. Expenditure incurred towards increase in plant efficiency/quality is capitalized in the year such expenditure is incurred.

c. Intangible Assets:

Intangible assets are recognized if and only if:-

- it is probable that the future economic benefits that are attributable to the assets will flow to the Company, and
- the cost / fair value of the assets can be measured reliably.

d. Depreciation on Fixed Assets:

Depreciation on Fixed Assets is provided on straight line method except for motor vehicles in which case depreciation is provided on written down value method as per rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956. Depreciation on additions to assets due to exchange fluctuation is provided on the remaining life of assets.

e. Investments:

Investments are stated at cost less provision for diminution in value other than temporary, if any.

f. Inventories:

Inventories are valued as under:-

Raw Material	: At Cost
Work-in-Process	: At lower of cost or net realisable value.
Finished Goods	: At lower of cost or net realisable value.
Maintenance supplies, Loose Tools and Stores and Spare Parts	: At Average Cost.
Waste/Scrap	: At estimated net realisable value.

g. Revenue Recognition

- Revenue is recognized to the extent it is possible that the economic benefits will flow to the company and the revenue can be measured reliably. In case of Sale of goods revenue is recognized when significant risks and rewards of ownership of the goods have passed to the buyer. Sales are net of return and inclusive of excise duty and exclusive of sales tax, wherever applicable.
- Generally all expenses and revenue are accounted for on accrual basis except interest on delayed payments to suppliers, which is accounted for on cash basis.

h. Gratuity / Retirement benefits:

Gratuity provision is based upon premium under LIC Group Gratuity Scheme.

The liabilities on account of leave encashment have been provided on the basis of actuarial valuation, using projected unit credit method, as at the balance sheet date.

i. Excise and Customs Duties:

Excise and customs duties on finished goods, raw materials, spares etc., are accounted for on clearance of

goods from factory premises / bonded warehouses, as the case may be.

j. Foreign Currency:

- i. Foreign currency transactions relating to revenue items are recorded at the exchange rate prevailing at the time of transaction except export sales which is recognized according to exchange rates notified by CBEC and resultant exchange fluctuation is charged to Profit & Loss Account.
- ii. Outstanding liabilities relating to fixed assets repayable in foreign currency and outstanding at the close of the year are expressed at the exchange rate prevailing on the date of Balance Sheet and exchange difference is adjusted to the carrying cost of fixed assets.

k. Subsidies/Grants:

Subsidies and grants are accounted for on receipt basis

l. Physical Verification:

- i. Fixed Assets are physically verified in such a manner that all assets are verified at least once in three years.
- ii. Raw Material, stores, spares-parts, consumables, tools, packing and other materials physically verified during the year on sample basis and extensively at the end of the year.

m. Borrowing Cost:

Interest cost relating to

- i. funds borrowed for acquisition of fixed assets are capitalized till the date of its intended use and thereafter charged to Profit & Loss Account..
- ii. funds borrowed for other purposes are charged to Profit and Loss Account.

n. Taxation:

Tax liability of the Company is estimated considering the provisions of the Income Tax Act, 1961. Deferred Tax is recognized subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

o. Impairment of Assets:

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. The impairment loss is charged to the profit & loss account in the year in which an asset is identified as impaired.

p. Forward contract in foreign currency

The company uses foreign exchange forward contract to hedge its exposure to movement in foreign currency rates. The use of these foreign exchange forward contract reduce the risk or cost to the company and the not use the foreign exchange forward contract for trading and speculation purpose. The premium and discount on all such contract arising at the inception of each contract is amortised as income and expense over the life of the contract. Any profit or loss arising on cancellation and renewal of forward contract is recognized as income or as expense over the life of the contract. The exchange difference is calculated as the difference between the

foreign currency amount of the contract translated at the exchange rate at the reporting date of transaction, or settlement date when the transaction is settled during the reporting period, and the corresponding foreign currency amount translated at the latter of the date of inception of forward contract and the last reporting date. Such exchange difference are recognized in the profit & loss account in the reporting period in which the exchange rate change.

q. Provision:

A provision is recognized when the company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle such obligation, in respect of which a reliable estimate can be made.

r. Contingent Liabilities:

Contingent liabilities are not provided for in the accounts and are separately disclosed in the "Notes to Accounts".

2. CONTINGENT LIABILITIES:

Particulars	As at 31.03.2010 (Rs. In Lacs)	As at 31.03.2009 (Rs. In Lacs)
(i) Claims against the company towards energy charges on Captive Generation	490.32	490.32
(ii) Outstanding of MPAKVN towards Land Acquisition Settlement.	28.80	28.80
(iii) Bonds executed in favour of President of India towards Customs/Excise obligations.	NIL	5300.00
(iv) Estimated amount of contracts remaining to be executed on capital account and not provided for	NIL	21.78
(v) Estimated Interest amount payable on confirmed demand for sales and entry tax	39.55	33.80
(vi)*Liability towards Gujarat State Co-operative Cotton Federation Limited for cotton supplies, interest, carrying charges etc. under dispute.	10384.84#	10384.84#
(vii) Liability towards M/s Maharashtra state Cotton Grower Mktg. Federation on account of pending dispute under court of law.	73.82	73.82
(viii) Disputed Sales Tax/ Entry Tax Demands	67.31	67.31
(ix) Disputed Service Tax Demand	NIL	6.12
(x) Demand towards Show Cause Notice Issued by Additional commissioner of Central Excise & Service Tax for wrong availment of cenvat credit of Service Tax on commission on export.	11.24	NIL
(xi) Demand towards Show Cause Notice Issued by Excise Department for charging Additional Customs Duty, including penalty, on the import of HSD on account of which dispute is pending in high court	65.49	NIL
(xii) Demand towards Show Cause Notice Issued by Excise Department for charging Additional Customs Duty, including penalty, on the import of HSD on account of which dispute is pending under Appeal	27.03	27.03
(xiii) Demand towards Show Cause Notice Issued by Excise Department for removal/Sale of waste in Domestic Tariff Area (DTA) in excess of permission granted to the company. Reply to show cause notices have already been filed before Commissioner (Customs & Excise), Indore.	2129.07	2129.07

* Though the contingent liability towards Gujcot is appearing due to the case filed by them against the Company, as per records of the Company there is no such liability towards Gujcot as the principal liability has been assigned to the other company in the year 2004-05 after obtaining approval from the Gujcot for restructuring of the debt.

This amount includes interest amounting to Rs. 5529.84 lacs.

3. Investments include Rs. 1199.93 lacs representing equity shares of STI Sanoh India Limited (SSIL) held on long term basis and on perusal of available provisional financial statements of SSIL it appears that no permanent decline exists in value such of investments.

4. The Company has been declared as a Sick Industrial Undertaking under Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) vide Summary Record of proceedings of the hearing held on 23rd January 2006 against reference registration No. 743/2002 dated 30th December, 2002.

The Hon'ble BIFR Bench has appointed State Bank of India as Operating Agency to prepare Draft Rehabilitation Scheme.

5. The Hon'ble BIFR Bench, vide order dated 2nd January 2008 has reserved its decision on the action of the company in mortgaging the entire block assets of the company in favour of two foreign investors without the Board's permission. The Board has further recorded that till then, the mortgage shall be treated as unenforceable. The Appellate Authority for Industrial & Financial Reconstruction (AAIFR) vide order dated 12th January 2009 has set aside the order of BIFR and directed that permission of BIFR is not required for creation of mortgage. The Hon'ble High Court vide order dated 2nd June 2010 has affirmed the above mentioned order of Appellate Authority for Industrial & Financial Reconstruction (AAIFR).

6. Due to adverse market conditions the Company has not been able to generate sufficient revenues to serve the interest on Optionally Convertible Debentures (OCD) issued to Private Foreign Investors from 1st July 07 onwards. The Company has also not been able to redeem Optionally Convertible Debentures-Series 1 to 4 for Rs. 141.00 crores.

7. As per A.P. (DIR Series) Circular No. 74 dated June 8, 2007 issued by RBI, it is clarified that henceforth, only instruments which are fully and mandatorily convertible into equity, within a specified time would be reckoned as part of equity under the FDI Policy and eligible to be issued to persons resident outside India under the Foreign Direct Investment Scheme in terms of Regulation 5 (1) of Foreign Exchange Management (Transfer and Issue of shares by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000.

Optionally convertible debentures Series 1, 2, 3 & 4 had fallen due for redemption / conversion during the earlier years. Option to convert OCDs into equity shares had not been exercised. In light of the RBI Circular the said debentures cannot be rolled over, and are subjected to redemption.

8. The Optionally Convertible Debentures (OCDs) holders have intimated by their letter dated October 27, 2010 of transfer to

Bombay Rayon Fashions Limited of 32,180,000 Optionally Convertible Debentures (OCDs) held by them alongwith the underlying properties / securities including the invoked 1,18,14,114 equity shares held by IDBI Trusteeship Services Limited as debenture trustee on behalf of the aforesaid.

9. The Optionally Convertible Debentures (OCDs) holders have by their letter dated October 26, 2010 also completely waived interest due on the Optionally Convertible Debentures (OCDs) from the date, i.e. February 14, 2008, of invocation of pledge of 1,18,14,114 shares.

10. The Optionally Convertible Debentures (OCDs) holders by their letter dated October 26, 2010 waived principal to the extent of Rs. 28,18,00,000 against the principal outstanding of OCD Series 1 to 4 on proportionate basis.

11. During the year, vide order no F.No.04/323/99-100% EOU/109 dated 24th April 2009, The Asstt. Development Commissioner, Indore Special Economic Zone, Indore has passed an order allowing the company for final debonding from 100% Export Oriented Unit (EOU) to DTA unit.

12. The company has changed its Accounting Policy of valuation of closing stock, i.e. excluding the indirect costs like Administrative expenses, selling expenses, depreciation on non factory building etc. As a result of change in the Accounting Policy, the value of closing stock has decreased by Rs. 14,47,399/-. Had these not been changed, the loss of the company would have been lower by the same amount.

13. Increase in raw cotton prices etc. company has suffered losses during the year. The management is hopeful, of better performance during coming years, and confident that company shall be able to wipe-off its accumulated losses in next few years and accordingly the accounts have been prepared on a going concern basis.

14. Interest amounting to Rs. 2.41 crores (P. Year Rs.2.69 crores) on delayed payments to suppliers has been accounted for on cash basis.

15. Computer software has not been amortized over the useful expected life as recommended in Accounting Standards 26 "Intangible Asset".

16. Confirmation of balances from Debtors, Creditors and Advances given were not available, and reconciliation thereof is pending.

17. During the year, the following claim has filed by the company to various authorities, which has been settled in the favour of the company.

Particulars	Claim pertaining to the period	Claim received
Hapag Lloyd Container linie GmbH	1998	22,00,000
Rebate of modvat credit allowed on input & used in the goods exported	1999	12,74,280
under bond (based on RG 23 A part II)	1999	9,42,692
Refund claim for unutilized balance in RG 23 A part II	1999	21,71,722
		6,65,717
		72,54,411



18. The management has taken a legal opinion on the non-applicability of wealth tax liability to the company and accordingly, no provision for wealth tax liability has been provided in the books of accounts.
19. The Board of Directors at its meeting dated 20th April 2010 took a note of the certain financial transactions and to carry out a further investigation into this, the Board therefore had appointed an independent Chartered Accountant firm, covering the period from 01-04-2004 to 31-03-2010. The scope of the audit was further extended to cover the financial year 2010-11 also and as on date there is no finality in the matter.

20. Managerial Remuneration (Amount - Rs in Lacs)

	Year ended 31.03.2010	Year ended 31.03.2009
a) Remuneration	18.00	18.00
b) Contribution to provident Fund	2.16	2.16
c) Superannuation Fund	2.70	2.70
Total	<u>22.86</u>	<u>22.86</u>

21. Payments to Auditors (Amount Rs. in Lacs)

	Year ended 31.03.2010	Year ended 31.03.2009
a) Statutory Audit Fees	5.52	10.62
b) Tax Audit	1.10	1.12
c) Certification	-	1.18
Total	<u>6.62</u>	<u>11.92</u>

22. Segmental Reporting:

The Company's operating business is organized and managed according to a single primary reportable business segment namely yarn and fabric. As part of secondary reporting, revenues are attributed to geographic areas based on the location of the customer.

In accordance with Accounting Standards (AS)-17 on Segment Reporting, the following table presents information relating to the geographical segment for the year ended March 31, 2010.

Reportable Segment	Domestic (Rs. Lacs)	International (Rs. Lacs)	Total (Rs. Lacs)
Revenue	5,580.34 (5,790.65)	12,055.18 (11,766.24)	17,635.52 (17,556.89)
Other information			
Carrying amount of Segment	12,675.40	-	12,675.40
Assets by Location	(13,033.09)	(-)	(13,033.09)
Cost to acquire	177.17	-	177.17
Fixed Assets	(53.96)	(-)	(53.96)

Notes

- a. The segment revenue in the geographical segments considered for disclosure as under:
- Domestic- Sales to customers located in India
 - International - Sales to Customers located outside India.
- b. Figures in brackets are for previous year.

23. In the absence of taxable income during the year and due to huge brought forward losses, no provision for income tax has been made. Further the Deferred Tax Assets has also not been recognized as there is no reasonable certainty that sufficient future taxable income will be available against which such deferred assets can be realized.

24. Calculation of Deferred Tax Assets/Liabilities:

Calculation of Deferred Tax Assets/Liabilities			Amount (Rs.)
Deferred Tax Liability			
Net Block as per Companies Act (31st March 2010)			1,00,04,28,712
Net Block as per Income Tax Act (31st March 2010)			31,94,67,123
Difference			<u>68,09,61,589</u>
Deferred Tax Liability (@30.90%) (A)			<u>21,04,17,131</u>
Deferred Tax Asset			
Expenditure to be Disallowed u/s 43 B			
Bonus	26,35,440		
Gratuity	15,04,320		
Leave Encashment	13,57,558		
	<u>54,97,318</u>	54,97,318	
Brought forward Loss and Unabsorbed Depreciation			
Brought Forward Business Loss	21,58,14,818		
Brought Forward Unabsorbed Depreciation	1,48,87,84,494		
Capital Loss	2,453		
	<u>1,70,46,01,765</u>		
Less: Loss cannot be carried forward			
A.Y 1997-98	(3,18,53,242)		
A.Y 1999-2000	(3,67,96,549)		
	<u>(6,86,49,791)</u>	1,63,59,51,974	
Deferred Tax Asset (@30.90%) (B)			<u>1,64,14,49,292</u>
Net Deferred Tax (Asset)/Liability (@30.90%) (A)-(B)			<u>50,72,07,831</u>
			<u>(29,67,90,700)</u>

25. The company is in process of identifying Micro & Small Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006. Consequently it is not possible for the company to give relevant disclosure under the said Act.
26. As per Accounting Standard 15 "Employee Benefits", the disclosure of Employee benefits as defined in the Accounting Standard are given below:

Defined Benefit Plan:
A. Leave Encashment:

The present value of obligation under Leave Encashment is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Changes in present value of obligation

	Leave Encashment
a) Present value of obligation as at the beginning of the period 01/04/2009	42,64,387
b) Acquisition adjustment	--
c) Interest cost	3,62,473
d) Past service cost	--
e) Current service cost	13,57,781
f) Curtailment cost/(Credit)	--
g) Settlement cost/(Credit)	--
h) Benefits paid	(11,60,401)
i) Actuarial (gain)/loss on obligation	(10,31,090)
j) Present value of obligation as at the end of period 31/03/2010	37,93,150

The amounts to be recognized in balance sheet

	31/03/2010
a) Present value of funded obligation as at the end of the period	--
b) Fair value of plan assets as at the end of the period	--
c) Present value of unfunded obligation as at the end of the period	37,93,150
d) Unrecognised Past Service Cost	--
e) Net Liability	37,93,150
Amount in the balance sheet	
Liabilities	37,93,150
Asset	--
Net liability	37,93,150

Expense recognized in the statement of profit and loss

	2009-10
a) Current service cost	13,57,781
b) Past service cost	--
c) Interest cost	3,62,473
d) Expected return on plan assets	--
e) Curtailment or Settlement cost / (Credit)	--
f) Net actuarial (gain)/ loss recognized in the period	(10,31,090)
g) Expenses recognized in the statement of profit & losses	689,164

Actuarial Assumptions:

	2009-10
a) Mortality Table	LIC 1994-96 (Ultimate)
b) Discount Rate	8.50%
c) Expected Rate of Return on plan assets (P.A.)	0%
d) Salary Growth Rate (P.A.)	6.50%
e) Withdrawal rate 18 to 60 Years (P.A.)	5.00 % at younger ages & 1% at elder ages

27. Derivative Instruments

The company uses foreign currency forward contract to hedge its risk associated with foreign currency fluctuation relating to forecasted revenue receivable transaction. The company not uses the forward for speculative purpose.

The following are the detail of outstanding forward exchange contract.

Particulars	Year ended 31.03.2010
Number of contract	2
USD equivalent	2,34,305
INR equivalent	1,08,98,075

**28. Related Party Disclosures (As certified by Management)****a) List of Related Parties and Relationships.**

S.No.	Name of Related Party	Relation ship
1.	Eight Capital Master Fund Limited (Cayman Island)	Private Foreign Investors jointly controlling 70.56% equity capital of the company
2.	Sipnnaker Global Opportunity Fund Ltd. (British Virgin Islands)	
3.	Sipnnaker Global Emerging Markets Fund Ltd. (British Virgin Islands)	
4.	Sipnnaker Global Strategic Fund Ltd. (British Virgin Islands)	
5.	STI Sanoh India Limited	Incorporated Joint Venture
6.	Key Management Personnel	
A	Dr. R.B. Baheti	Whole time Director
7.	Associate Companies	
A	STI Power India Pvt. Ltd.	Enterprises in which key
B	STI Fabricraft Pvt. Ltd..	management personnel /relatives
C	Hyson Investment & Finance Pvt. Limited	exercises significant influence.
D	East West Finance Pvt. Ltd.	

b) Related Party transaction(s) during the year 2009-10

(Amount in Lacs)

Transaction	Associates & JVs	Holding more than 20% voting power	Key management Personnel/ relatives	Enterprises in which key Management Personnel/ relatives exercises significant influence
Loans & Advances	-	-	-	-
Recoveries	(1.95)	(-)	(-)	(7.50)
Loans and Advances Received	(-)	(-)	(-)	300.00
Loans granted	-	-	-	(427.50)
	(-)	(-)	(-)	0.00
Payment of Salaries & Perquisites	-	-	22.86	(7.50)
Sitting Fees	(-)	(-)	(22.86)	-
Payment of Interest	-	-	(0.25)	(-)
	(-)	(-)	(-)	-
Repayments of outstanding	-	-	(-)	(6.50)
Share Warrants	(-)	(-)	(-)	300.00
Forfeited	-	-	-	(582.50)
Provision for Non Recoverable Advance	(-)	(12.75)	(17.00)	-
	(-)	(-)	(-)	(-)
				(75.00)

29. Earning Per Share (EPS)

(Equity Shares of Rs.10 each)

	Current year	Previous year
(i). Number of shares at the beginning of the year	29000000	29000000
(ii). Number of shares at the end of the year	29000000	29000000
(iii). Weighted average number of Equity Shares outstanding during the year.	29000000	29000000
EPS Before Extra Ordinary Items:		
(i). Net profit/(loss) after Tax available for Equity Share holders (Rs. In Lacs)	(676.69)	(1504.41)
(ii). Basic and diluted earning per share (Rs.)	(2.33)	(5.19)
EPS After Extra Ordinary Items:		
(i). Net profit/(loss) after Tax available for Equity Share holders (Rs. in Lacs)	(679.45)	(3960.20)
(ii). Basic and diluted earning per share (Rs.)	(2.34)	(13.66)

As per our report attached
For **Vikas Kochhar & Associates**
Firm Registration No. 014536N
Chartered Accountant

Vikas Kochhar
Partner
M. No. 87054
Date : New Delhi
Place : 25th November, 2010

For and on behalf of Board of Directors
For **STI India Limited**

Dr. R. B. Baheti
(Chairman)

Date : Mumbai
Place : 25th November, 2010

K. N. Garg
(Director)

Raj Kumar Bhawsar
(Company Secretary)

30. Information in respect of Joint Venture Company (JVC)

- **M/s STI Sanoh India Limited**, as per available financial statements as at 31st March, 10 (Provisional) and 31st March, 09 (Audited), is provided hereunder:-

Country of Incorporation	India
Proportion of Ownership Interest	43.48%(Rs. 1199.93 lacs) of paid up equity share capital (Rs. 2760 lacs)
Description of Interest	Joint Venture Company (JVC) is established principally for manufacturing of Single Walled Copper Brazed Tubes and Break fuel components.

Proportion of Company's interest in STI Sanoh India Ltd.

	2009-10 (Rs. in Lacs)	2008-09 (Rs. in Lacs)
i) Assets		
a) Net fixed assets	1703.33	1598.74
b) Net current assets	1104.51	887.53
ii) Miscellaneous expenditure (to the extent not written off or adjusted)	-	0.06
iii) Credit (Debit) balance -Profit & loss a/c	1002.49	403.94
iv) Liabilities (Loans & Deferred Credits)	882.24	882.33
v) Gross Income	8087.35	5488.86
vi) Gross Expenditure	7488.92	5246.41
vii) Contingent Liabilities	57.48	57.48

31. Previous year figures have been re-grouped / rearranged wherever considered necessary to make them comparable with the current year.

CASH FLOW STATEMENT AS PER CLAUSE 32 OF THE LISTING AGREEMENT

	2009-2010 (Rs. in Lacs)	2008-2009 (Rs. in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax and after Extraordinary items	(679.45)	(3,949.20)
Adjustment For :		
Depreciation	1,150.51	1,148.10
Interest	334.62	323.00
Interest received	(24.90)	(17.17)
Provision for doubtful advances	-	2,450.75
Premium	(0.19)	-
Loss on sale of Assets	(0.55)	(0.32)
Operative Profit before Working Capital Changes	780.04	(44.84)
Adjustment For :		
Trade and Other Receivables	151.86	2,112.89
Inventories	(841.82)	430.20
Trade & Other payable	555.91	48.38
Cash Generation from Operations	645.99	2,546.63
Interest paid	(266.06)	(286.98)
Direct Taxes	(7.04)	(23.12)
Net Cash Flow from operating activities	372.89	2,236.53
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and Others		
Capital Expenditure	(154.66)	(53.55)
Sale of Fixed Assets	3.03	0.84
Change in Advances towards capital and others	-	(2,439.53)
Interest Received	24.90	17.17
Net Cash used in investing activities	(126.73)	(2,475.07)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Decrease In working Capital loans	(184.48)	483.83
Interest on Term loans & Others	(68.55)	(36.02)
Repayment of Long Term Borrowings	(155.51)	(28.25)
Proceeds from Deferred Liabilities	(2.96)	(2.23)
Net Cash used in financing activities	(411.50)	417.33
D. NET CHANGE IN CASH AND CASH EQUIVALENTS		
(A+B+C)	(165.34)	178.79
Cash and Cash Equivalents as at 1st April 2009	244.60	65.81
Cash and Cash Equivalents as at 31st March 2010	79.26	244.60

Notes : 1. Figures in brackets represent cash outflows.
2. Previous year figures have been regrouped wherever necessary.

As per our report attached
For **Vikas Kochhar & Associates**
Firm Registration No. 014536N
Chartered Accountant

For and on behalf of Board of Directors
For **STI India Limited**

Vikas Kochhar
Partner
M. No. 87054
Date : New Delhi
Place : 25th November, 2010

Dr. R. B. Baheti
(Chairman)
Date : Mumbai
Place : 25th November, 2010

K. N. Garg
(Director)

Raj Kumar Bhawsar
(Company Secretary)



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
AS PER PART (IV) OF SCHEDULE VI OF THE COMPANIES ACT, 1956**

1. Registration DetailsRegistration No. State Code Balance Sheet Date **2. Capital Raised during the Year (Amount in Rs. Lacs)**Public Issue Rights Issue Bonus Issue Private Placement **3. Position of Mobilisation and Deployment of Fund (Amount in Lacs)**Total Liabilities Total Assets **Sources of Funds -**Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans Share application Money Deferred Credit **Application of Funds -**Net Fixed Assets Investments Net Current Assets Accumulated Losses Misc. Expenditure **4. Performance of Company (Amount in Lacs)**Turnover Total Expenditure Profit/(Loss) Before Tax Profit/(Loss) After Tax

+	-	+	-
<input type="text" value=""/>	<input type="text" value="-"/>	<input type="text" value=""/>	<input type="text" value="-"/>

(Please tick Appropriate box "+" for Profit "-" for Loss)

Earning per Share in Rs. Dividend **5. Generic Names of Principal Products/Services of Company (as per monetary terms)**

Item Code No.

5205.11

6002.92

Product Description

COTTON YARN

COTTON KNITTED FABRIC

As per our report attached
For **Vikas Kochhar & Associates**
Firm Registration No. 014536N
Chartered Accountant

For and on behalf of Board of Directors
For **STI India Limited**

Vikas Kochhar
Partner
M.No.: 87054
Place : New Delhi
Date : 25th November, 2010

Dr. R. B. Baheti : Chairman
K. N. Garg : Director
Raj Kumar Bhawsar : Company Secretary

Place : Mumbai
Date : 25th November, 2010



STI India Limited

NOTES :

[illegible]



STI India Limited

Regd. Office. : Rau-Pithampur Link Road, Tehsil - Mhow, Dist. Indore - 453 332 (M.P.) India

PROXY FORM

I/We.....of.....
.....being a member/members of STI India Limited, hereby appoint
.....of.....failing him/her
..... as my/our proxy to attend and vote for me/ us
on my/ our behalf at the Twenty Fifth Annual General Meeting of the Company to be held on Friday the 24th December, 2010, at 11.00 A. M. at the Registered office of the Company at Rau-Pithampur Link Road, Tehsil-Mhow, Dist. Indore - 453 332 (M.P.) and/or at adjournment thereof.

As witness my/ our hand (s) this day of, 2010

Folio No.:Members Signature

Affix I Re.
Revenue
stamp

Note: The proxy, to be valid, must be deposited at the Registered office of the Company not less than 48 hours before the time of holding the meeting.

STI India Limited

Regd. Office. : Rau-Pithampur Link Road, Tehsil - Mhow, Dist. Indore - 453 332 (M.P.) India

ATTENDANCE SLIP

Shareholders Name

Folio No.: No. of shares held.....

Proxy's Name.....

I am a registered shareholder/ proxy of the registered shareholder. I record my presence at the Twenty Fifth Annual General Meeting of the Company being held on Friday the 24th December, 2010, at 11.00 A. M. at the Registered office of the Company as mentioned above.

.....
Signature of the Shareholder/ Proxy

Note: The member/ proxy, attending the meeting must fill in this attendance slip and hand it over at the entrance of the meeting hall.

BOOK POST / AIR MAIL

If undelivered, please return to:



STI India Limited

Regd. Office. : Rau-Pithampur Link Road,
Tehsil - Mhow, Dist. Indore - 453 332 (M.P.) INDIA

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