

26th

Annual Report

2010-11



Quality & Commitment



STI India Limited

A Subsidiary of Bombay Rayon Fashions Limited

Manufacturers of quality Cotton Yarn & Cotton Knitted Fabrics

Corporate Information

Board of Directors

Dr. R. B. Baheti	- Chairman
Mr. Aman Agrawal	- Vice Chairman
Mr. Prashant Agrawal	- Managing Director
Mr. A. R. Mundra	- Director
Mr. K. N. Garg	- 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)
Mr. A. Arumugham	- Additional Director (Appointed w. e. f. 09.02.11)
Dr. Shashank N. Desai	- Director (Ceased w.e.f. 08.02.2011)

Company Secretary

Mr. Raj Kumar Bhawsar

Auditors

V. K. Beswal & Associates
Chartered Accountants

Bankers

IndusInd Bank Limited
State Bank of India

Regd. Office & Works

STI India Limited
Rau-Pithampur Link Road,
Tehsil - Mhow,
Dist. Indore - 453 332 (M.P.) India

Registrar & Transfer Agent

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai- 400 078
Tel : 022-25946970

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NOTICE

NOTICE is hereby given that the 26th Annual General Meeting of the Members of STI India Limited will be held on Wednesday, the 7th September, 2011, 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, 2011, Balance Sheet as at that date and the Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. K. N. Garg, who retires by rotation and being eligible, offers him self for re-appointment.
3. To appoint a Director in place of Mr. S. Sreedhar Reddy, who retires by rotation and being eligible, offers him self for re-appointment.
4. To appoint M/s. V.K. Beswal & Associates, Chartered Accountants, Mumbai as Statutory Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. A. Arumugham, who was appointed as an Additional Director w. e. f. 9th February, 2011 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."

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

"RESOLVED THAT in conformity with the provisions of Article 125 & 127 of the Articles of Association of the Company and pursuant to the provisions of Sections 198, 309(4), 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereof time being in force) and subject to the approval of the Central Government and such other approvals as may be necessary, consent and approval of the Company be and is hereby accorded to payment of remuneration to Dr. R.B. Baheti, as non executive director of the Company of Rs. 1.00 Crore per annum payable monthly as may be decided by the Board of Directors from time to time, for a period of 3 years commencing from November 1, 2010 (including the remuneration to be paid to him in the event of loss or inadequacy of profits in any financial year during the aforesaid period notwithstanding that the same may be in excess of percentage limit laid down in Section 198 and Section 309 of the Companies Act, 1956)."

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps as may be necessary to give effect to this Resolution."

By Order of the Board of Directors
For STI INDIA LIMITED

Place: Mumbai
Date: June 4, 2011

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 Friday, the 2nd September, 2011 to Wednesday, the 7th September, 2011 (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

Mr. K. N. Garg, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Mr. K. N. Garg, is an Industrialist. Mr. Garg born in 1945, having Masters' Degree in Commerce and Bachelors' Degree in Law, is a new age entrepreneur. Mr. K. N. Garg, has very wide experience of Treasury Management for more than three decades.

Mr. Garg has been key driver in making strategic moves for bringing STI Sanoh India Limited, the joint venture company, out of critical conditions and he is now running its business successfully. Presently, he is Whole Time Director of STI Sanoh India Limited and also acting as Director on the Board of other companies.

As a Member of the Board, Mr. K. N. Garg 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 Mr. K. N. Garg, no other Director is interested in the resolution. Mr. K. N. Garg does not have relationship with any other Member of the Board.



ITEM NO. 3

Mr. S. Sreedhar Reddy, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Mr. S. Sreedhar Reddy, is an experienced industrialist having good exposure to production and marketing with B. Tech. Degree in Electronics and Communications. On the Board of Directors of the Company Mr. S. Sreedhar Reddy is proposed to be reappointed as an Independent Director.

As a Member of the Board, Mr. S. Sreedhar Reddy 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 Mr. S. Sreedhar Reddy, no other Director is interested in the resolution. Mr. S. Sreedhar Reddy does not have relationship with any other Member of the Board.

ITEM NO. 5

Mr. A. Arumugham, was appointed as an Additional Director on the Board of the Company with effect from 9th February, 2011 and as such he holds his office till the date of the ensuing Annual General Meeting.

Mr. A. Arumugham, a Chartered Accountant having overall experience of more than four decades in practice / industries. He is also associated with various large corporate houses and has sound knowledge in various activities such as fund mobilization, mergers, takeovers and legal compliances etc.

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. 5 is placed before the Members for his appointment for approval of the Members.

As Member of the Board Mr. A. Arumugham, 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. Arumugham, no other Director is interested in the resolution. Mr. A. Arumugham does not have relationship with any other Member of the Board.

ITEM NO. 6

On expiration of term of appointment of Dr. R. B. Baheti, as Chairman and Managing Director of the Company on November 1, 2010, Dr. R.B. Baheti indicated his willingness to continue as non executive chairman of the Board. Dr. R. B. Baheti therefore has appointed as non executive chairman by the Board at its meeting held on November 1, 2010.

Dr. R. B. Baheti is a top level Corporate Executive has a Post-graduate in Commerce and Ph.D. in Economics (Gold Medalist). Dr. R. B. Baheti is a new age entrepreneur. Dr. R. B. Baheti has rich experience of running businesses for around four and half decades and dealing in textile is his family Business. During his tenure, the Company achieved several milestones. Dr. R. B. Baheti is also associated with Prestigious Educational Institutions viz. Indian Institute of Management, Indore, Indian Institute of Management, Lucknow etc.

Dr. R. B. Baheti was being paid an Annual Salary of Rs. 18.00 Lacs plus other perquisites as per the rules of the Company. He is not receiving any sitting fee from the Company. Considering the current scenario of textile industry, other managerial personnel's drawing level in the industry, level of profitability of the company, the time being spent, the valuable advice being given by the Dr. R.B. Baheti to the Management of the Company in the company's turnaround, the Board of Directors at its meeting held on November 25, 2010 has approved the payment of remuneration to Dr. R.B. Baheti of Rs.1 Crore per annum payable monthly effective from November 1, 2010 for a period of 3 years subject to the approval of Central Government.

The payment of remuneration would need your approval by Special Resolution. Such approval would be valid for a period of 3 years at a time. It is proposed that this resolution remain in force for a period of 3 years from November 1, 2010.

The Board recommends the resolution for approval by the Members.

None of the Directors other than Dr. R.B. Baheti is concerned or interested in the resolution.

By Order of the Board of Directors
For STI INDIA LIMITED

Place: Mumbai
Date: June 4, 2011

Raj Kumar Bhawsar
Company Secretary

Green Initiative in the Corporate Governance

As a responsible corporate citizen, your Company welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, Government of India (MCA) vide its circular nos. 17/2011 dated April, 21, 2011 and 18/2011 dated April, 29, 2011 allowing paperless compliances by the Companies.

The Green Initiative endeavors to reduce consumption of paper, in turn preventing deforestation and contributes towards a green and clean environment-a cause that we at STI India Limited are committed to. In furtherance of these initiatives, the Company invites its shareholders to participate in the Green Initiatives to affirm its commitment towards future generations.

Keeping in view the above, your company proposes to send the Documents, Notices, Balance Sheet, Profit & Loss Account, Auditor's Report, Director's Report and Explanatory Statement etc in electronic form. For supporting this initiative:-

- 1) If you hold shares in electronic form, kindly intimate/update your email ID to your Depository Participants (DP). The same will be deemed to be your registered email address for serving notices/documents.
- 2) If you hold shares in physical form, kindly intimate your email ID to the Company's Registrar & Transfer Agent (RTA) at the following address:

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West)
Mumbai 400078

The request letter should be signed by the first/sole holder as per the specimen signature recorded with RTA and should mention your correct folio number. If you do not register your email ID, a physical copy of the Annual Report and other communication/ documents will be sent to you free of cost, as per the current practice. These documents will also be available on the company's website: www.stitextile.net.

We strongly urge you to support this 'Green Initiative' and opt for electronic mode of communication by advising your email ID to your DP/Link Intime India Private Limited.

We solicit your support to join in this initiative in reducing the impact on environment and receive all communications electronically.

**DIRECTORS' REPORT**

To,

The Members,

The Directors have great pleasure in presenting their 26th Annual Report and the Audited Annual Accounts of the Company for the financial year ended 31st March, 2011.

FINANCIAL RESULTS

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

PARTICULARS	(Rs. in Lacs)	
	31.03.2011	31.03.2010
Sales	24997.82	17878.40
Profit before Interest, Depreciation & Tax	2341.45	835.17
Less: Interest	205.61	364.11
Profit before Depreciation & Tax	2135.84	471.06
Less: Depreciation	1156.69	1150.51
Profit/(Loss) before Tax	979.15	(679.45)
Less - Provision for Taxes (including Deferred)	(711.51)	-
Profit/(Loss) After Tax	1690.66	(679.45)
Balance brought forward from previous year	(11473.05)	(10793.60)
Waiver of OCDs amount	2828.00	-
Net Profit/(Loss) carried forward to the Balance Sheet	(6954.39)	(11473.05)
Less : Share Premium	3773.00	3773.00
Profit & Loss Account	(3181.39)	(7700.05)
Paid Up Share Capital and Reserve & Surplus	2940.01	2940.01
Adjusted Net Worth of the Company	(241.38)	(4760.04)
EPS (In Rs.)		
- Basic & Diluted	5.83	(2.34)

OPERATIONS:

During the financial year under review -

- the turnover of your company increased by 39.82% to Rs. 249.98 Crores. This is mainly due to better realization on export sale of higher value added products like Organic Cotton, Yarn and knitted fabric mainly to European Markets and increase in production of knitted fabrics to 16.60 lacs kg as against 13.53 lacs kg of previous year;
- PBIDTA is increased to Rs. 2341.45 Lacs against Rs. 835.17 Lacs in the previous year.
- Interest cost reduced to Rs. 205.61 Lacs from Rs. 364.11 Lacs in the previous year.

DIVIDEND

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

AQUISITION OF STAKE BY BOMBAY RAYON FASHIONS LIMITED (BRFL)

During the year under review BRFL has acquired majority stake in the Company by purchasing 86,47,336

equity shares and 3,21,80,000 Optionally Convertible Debentures (OCD's) 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, from two existing Overseas Private Investors (OPI's) i.e. Spinnaker Investment Group, United Kingdom and Eight Capital & Associates, United States. The said acquisition has triggered open offer by BRFL and presently BRFL is holding 2,13,79,722 equity shares representing 73.72% of paid up equity share capital of the company. After Completion of Open Offer, BRFL has become the new promoters of the Company. BRFL is a listed Company, engaged in the manufacturing and export of Fabrics & Garments. BRFL is having integrated manufacturing facilities for yarn dyeing, weaving, processing of fabrics and garmenting.

BOARD OF DIRECTORS

The Board of Directors has approved the payment of remuneration to Dr. R.B. Baheti as non executive director of Rs.1 Crore per annum payable monthly effective from November 1, 2010 for a period of 3 years subject to the approval of shareholders. The necessary resolution in this regard is proposed at the forthcoming Annual General Meeting.

Mr. K. N. Garg and Mr. S. Sreedhar 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.

Mr. A. Arumugham was appointed as Additional Directors with effect from February 9, 2011. The new Director has wide range of experience and exposure of the field of finance & management of trade, business and industry. It is expected that appointment of this new director will add immense value to the Board.

Being additional Director Mr. Arumugham will hold the office till the date of ensuing Annual General Meeting (AGM) of the Company. The Company has received notice from member of the Company proposing candidature of new Director for appointment as Director liable to retire by rotation.

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 27.21% growth in income at Rs.236.98 Crores in comparison to Rs. 186.29 Crores last year.

As a result of India's expected GDP Growth of 8-8.5% during the current year and targeted demand growth in automobiles and refrigeration industries in 2011-12, we expect the performance of the Joint Venture to be further better in the current year.

AUDITORS

M/s. V.K. Beswal & Associates, Chartered Accountants having Firm Registration Number 101083W the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Necessary resolution in this regard is proposed at the forthcoming Annual General Meeting.

AUDITORS' REPORT

There are no specific observation in the Auditors' Report requiring further comments under Section 217 (3) of the Companies Act, 1956.

FIXED DEPOSITS

The Company has not accepted or renewed any deposit from public 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:

1. In the preparation of the Annual Accounts for 2010-11, the applicable accounting standards have been followed with proper explanations relating to material departures;
2. 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;
3. 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;
4. 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.

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.

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.

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

Place: Mumbai
Date : June 4, 2011

Dr. R.B. Baheti
Chairman

**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, 2011.

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:

1. Details of steps taken during previous year for conserving Electrical Energy:-
Replacement of non efficient pumps by energy efficient pumps
2. Annual saving due to above steps in terms of KWh and Rs.:-
KWh - 25623 and Rs. 1.07 Lacs

Technology Up Gradation:-

1. **Knitting:** Inspection table's tubular light box services are obsolete now, we developed indigenous lamp driver and light box, which has been installed on machine and working all right, this modification costs us Rs. 0.86 Lacs.
2. **Ring frame:** Original electronics system is obsolete now and it's services not available, therefore we developed complete Mitsubishi electronic set for Ring frame machine and installed on machine no. 39 and 40 which costs us Rs. 5.12 Lacs for two sets, by this modification, two electronics sets are free with us that will be used as spare parts for rest all Ring frame machines.
3. **Yarn conditioning:** Vacuum pump development indigenously equivalent vacuum pump of Xorella yarn conditioning machine, which cost us Rs.1.7 Lacs against imported spare of Rs. 8.4 Lacs, potential saving of Rs. 6.7 Lacs.
4. **Transformer:** We installed 4 sets of exhaust air fans on transformer no. 1 & 2 to reduce oil & winding temperature and achieved in temperature reduction by 6 deg. cent. for better working.

Future Planning for Energy conservation (2011-12)

1. To replace one pump for pump house.
2. To install VFD on h-plant pumps at remaining locations.

Power and Fuel consumption	Current year 2010-11	Previous year 2009-10
Electricity		
1. Purchased (Units in Lacs)	467.77200	454.02600
2. Generated (Units in Lacs)	0.39898	0.02486
Total Amount (Rs. In Lacs)	1920.74987	1668.78734
Rate per unit	4.106	3.675
Consumption of Electrical Energy per Kg. of Yarn	3.89	3.47

FORM-B (Rule-2)**(A) RESEARCH AND DEVELOPMENT (R & D)****1. Specific areas where the R & D department worked are:**

- a) Inspection & testing of in-coming, in-process and final product;
- b) Bale management & process control observations;
- c) Machinery maintenance audit and sampling;
- d) Implementation of Control Union Certification for Organic Cotton Yarn & Fabric Production (GOTS / OE / GRS);
- e) 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.

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

3. Future Action Plan (2011-2012)

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

4. Expenditure on R & D (2010-2011)

Nil

(B) TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

1. 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.
2. The main target behind the above concept is reduction in operative cost. The following steps were taken in the department:

- a) By installation of 2 TFO machines, the diversification and value addition of the product has enhanced.
- b) Replaced 60 machines with 38 mm diameter ring and production increased by 5% without increasing of any power consumption.
- c) We have gone finer, thus consuming less cotton and producing more value added yarn.
- d) We have converted 9 normal ring frame machines into Elitwist as per the market demand, to get further value addition.
- e) The department workload has been further rationalized and we have reduced around 40 hands/day.
- f) Ordered six of Amstler slub attachments for six ring frame. The production of slub yarn will give value addition.
- g) Ordered for three new LR made carding machine, Autolevelled Draw/frame, Zinzer made 68i model speed frame & 7-V old Murtatec Autoconer with Quantum 2 EVC, for enhancing production capacity.
- h) Ordered for 15 new knitting machines in existing building to increase value addition. The new machines are having various facilities.
- i) We have diverted one small line to viscose (staple fibre) working and the same has been set perfectly on 10 ring frame.

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 2011-2012:

- a) We have dedicated one complete line for manufacturing "Organic" Cotton in the unit throughout the year, will give high value addition and a quality bench mark in the Industry.
- b) We are planning to utilize the 100% knitting machines for further value addition.
- c) One line to work on viscose fibre for value addition & diversification.

5. Recent Achievements:

Developed a new shed for accommodation 15 knitting machine with lycra, fleece, Rib, & 34" Dia S/J machine. Two inspection machines also have been installed for checking.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars	Current year 2010-2011 (Rs. in Lacs)	Previous year 2009-2010 (Rs. in Lacs)
Foreign Exchange earnings:		
- FOB value of goods exported	4966.80	2999.62
C.I.F. Value of Imports:		
- Stores, Spares & HSD	51.94	38.00
- Capital Goods	-	38.70
Foreign Exchange Expenditures:		
- Commission on Export Sales	52.62	30.34
- Foreign Traveling	3.69	5.30

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

Place : Mumbai
Date : June 4, 2011

Dr. R.B. Baheti
Chairman

**REPORT ON CORPORATE GOVERNANCE****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 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 Board has strength of 10 Directors as on 31st March, 2011, out of which nine are Non-Executive Directors and six 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 Non Executive 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, 2011 is as under:

Name of Directors	Category	No. of other Directorship	Board Committee(s) Memberships	
			Chairman	Member
Dr. R.B. Baheti	Non Executive (w.e.f.01.11.10)	-	-	-
Mr. Aman Agrawal	Non Executive (w.e.f.25.11.10)	6	-	-
Mr. Prashant Agrawal	Executive (w.e.f.25.11.10)	7	-	-
Mr. A. R. Mundra	Non Executive (w.e.f.25.11.10)	2	-	-
Mr. K.N. Garg	Non Executive, (Independent w.e.f.10.03.11)	4	1	5
Mr. A. Arumugham	Non Executive, Independent	1	-	-
Mr. T. N. Anand Reddy	Non Executive, Independent	1	-	-
Mr. S. Sreedhar Reddy	Non Executive, Independent	3	1	-
Mr. A. V. Narasimha Reddy	Non Executive, Independent	2	-	-
Mr. U. S. Kohli (w.e.f.26.05.10)	Nominee - BIFR, Independent	-	-	-

Note: Private & Foreign Companies Directorship are excluded.

No Director is related to any other Director except Mr. Aman Agrawal & Mr. Prashant Agrawal who are brothers.

(b) CEO & CFO:

Mr. Prashant Agrawal, Managing Director (w.e.f. 25.11.10), is designated as Chief Executive Officer (CEO) and Mr. S. D. Naik is Chief Financial Officer (CFO) of the Company.

(c) Board Meetings and Annual General Meeting:

During the year 2010-11, eight Board Meetings were held on:

20th April, 2010, 14th May, 2010, 12th August, 2010, 4th October, 2010, 1st November, 2010, 12th November, 2010, 25th November, 2010 & 9th February, 2011

Name of the Directors	No. of Board Meeting attended	Last AGM Attended
Dr. R.B. Baheti (CMD Up to 31.10.10 & Non Executive Chairman w.e.f.01.11.10)	7	Yes
Mr. Aman Agrawal - Vice Chairman (w.e.f. 25.11.10)	NIL	No
Mr. Prashant Agrawal - Managing Director (w.e.f.25.11.10)	1	No
Mr. A. R. Mundra (w.e.f.25.11.10)	1	No
Mr. K.N. Garg	7	No
Mr. A. Arumugham (w.e.f.09.02.11)	1	No
Mr. T. N. Anand Reddy	6	No
Mr. S. Sreedhar Reddy	1	No
Mr. A. V. Narasimha Reddy	2	No
Mr. U. S. Kohli (w.e.f.26.05.10)	4	No
Dr. Shashank N. Desai (cessation w.e.f. 08.02.11)	7	No

(d) Sitting Fees:

Details of payment of Sitting Fee during the year 2010-11

Name of the Directors	Sitting Fees Paid (Rs.)
Dr. R.B. Baheti (CMD Up to 31.10.10 & Non Executive Chairman w.e.f.01.11.10)	NIL
Mr. Aman Agrawal - Vice Chairman (w.e.f. 25.11.10)	NIL
Mr. Prashant Agrawal - Managing Director (w.e.f.25.11.10)	NIL
Mr. A. R. Mundra (w.e.f.25.11.10)	5,000/-
Mr. K.N. Garg	35,000/-
Mr. A. Arumugham (w.e.f.09.02.11)	5,000/-
Mr. T. N. Anand Reddy	30,000/-
Mr. S. Sreedhar Reddy	5,000/-
Mr. A. V. Narasimha Reddy	10,000/-
Mr. U. S. Kohli (w.e.f.26.05.10)	20,000/-
Dr. Shashank N. Desai (cessation w.e.f. 08.02.11)	35,000/-

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

In terms of para 1(D) of clause 49 - Corporate Governance, the Board of Directors have laid a Code of Conduct for all the 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 of the Board has such powers in terms of Clause 49 of the Listing Agreements and Section 292A of the Companies Act, 1956.

During the year 2010-11, five Audit Committee Meetings were held on:

14th May, 2010, 4th October, 2010, 12th November, 2010, 25th November, 2010 & 9th February, 2011.

The Composition of the Audit Committee and number of Meetings attended

S. N.	Name of the Directors	Designation	No. of Meetings
	Mr. A. Aurmugham (w.e.f.09.02.11)	Chairman	1
	Mr. K.N. Garg	Member	5
	Mr. T. N. Anand Reddy	Member	4
	Mr. U. S. Kohli (w.e.f.26.05.10)	Member	3
	Dr. Shashank N. Desai (cessation w.e.f. 08.02.11)	Chairman	4

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 four members as on 31st March, 2011, All of them possess vast experience of Trade, Business and Industries.

Name of Directors	Designation
Mr. A. Aurmugham (w.e.f.09.02.11)	Chairman
Mr. K.N. Garg	Member
Mr. T. N. Anand Reddy	Member
Mr. U. S. Kohli (w.e.f.26.05.10)	Member
Dr. Shashank N. Desai (cessation w.e.f. 08.02.11)	Chairman

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 Director:
- ##### 1. The Chairman & Managing Director:
- The term of Dr. R. B. Baheti as Chairman & Managing Director of the Company was up to 31st October, 2010.



Name and Designation	Period of Appointment	Salary and Allowance*
Dr. R. B. Baheti - Chairman and Managing Director	1st November, 2007 to 31st October, 2010	All inclusive remuneration of Rs.1,50,000/- p.m.

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

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

2. The Managing Director:

Mr. Prashant Agrawal, was appointed as a Managing Director on the Board of the Company w.e.f.25th November, 2010 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, 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 from 25th November, 2010 to 24th November, 2013 without remuneration within the meaning of Section 2(26) of the said Act.

3. Remuneration for Non-Executive Directors

Dr. R. B. Baheti on completion of his tenure as Chairman and Managing Director has appointed as Non-Executive Chairman w.e.f. from 1st November, 2010. The Board of Directors' at its meeting held on November 25, 2010 has approved the remuneration to Dr. R.B. Baheti of Rs. 1 Crore p.a. payable monthly along with free use of a car with driver subject to the approval of shareholders and Central Government.

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

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 except aforesaid.

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

The Shareholder's / Investors Grievances Committee comprises of four members as on 31st March, 2011, All of them possess vast experience of Trade, Business and Industries.

Name of Directors Designation

Mr. T. N. Anand Reddy	Chairman
Mr. A. Aurmugham (w.e.f.09.02.11)	Member
Mr. K. N. Garg	Member
Mr. U. S. Kohli (w.e.f.26.05.10)	Member
Dr. Shashank N. Desai (cessation w.e.f. 08.02.11)	Member

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 31.03.2011, 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 Considered	No. of shares Transferred
07 (07)	151 (010)	24,429 (1,475)

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.

4. Shareholders Meetings:

a) Details of last three Annual General Meetings

Date	Venue	Time
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.
25th AGM 24.12.2010	Regd. Office: Rau-Pithampur Link Road, Tehsil: Mhow, District Indore (M.P.) 453 332	11.00 A.M.

b) Details of Special Resolutions passed in the previous three AGMs

Date of AGM	Particulars of Special Resolution passed thereat
December 24, 2010	Appointment of Mr. Prashant Agrawal as Managing director without remuneration of the Company for a period of 3 years with effect from November 25, 2010 to November 24, 2013.

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-W(14) "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. 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 Stock 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.
- * The Company has been regularly sending quarterly/half-yearly/ Annual Financial Results

to the 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-Sixth Annual General Meeting

Day & Date : Wednesday, the 7th September, 2011

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, 2011 To March 31, 2012

Board Meetings for consideration of : 4th June, 2011'

Accounts FY 2010-11

Book Closure Dates : 2nd September, 2011 to 7th September, 2011 (Both days inclusive)

Last dates of receipts of Proxy-Forms : 5th September, 2011

Date of 26th Annual General Meeting : Wednesday, the 7th September, 2011

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 both the stock exchanges for the financial year 2011-12.

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

S.No.	Name and Address of the Stock Exchange(s)	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. The .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 :

Month	Bombay Stock Exchange Ltd. (BSE)			National Stock Exchange of India Ltd. (NSE)		
	High (Rs)	Low (Rs)	No. of shares traded	High (Rs)	Low (Rs)	No. of shares traded
April, 10	8.70	6.95	35,010	9.00	6.60	30,828
May, 10	13.90	6.87	2,23,889	13.80	6.35	1,81,752
June, 10	11.41	8.63	40,032	10.60	8.55	19,031
July, 10	12.03	9.00	79,357	11.65	9.05	14,923
August, 10	14.83	9.50	1,61,565	14.95	9.30	35,483
September, 10	18.46	12.66	1,42,997	18.60	12.40	41,523
October, 10	31.10	15.10	3,55,589	32.30	15.55	88,17,549
November, 10	28.75	26.05	2,72,472	29.00	25.30	1,33,477
December, 10	28.20	26.20	1,69,737	28.45	26.00	91,538
January, 11	29.15	27.40	1,66,707	29.00	25.15	58,388
February, 11	28.95	23.60	3,10,449	29.00	23.75	71,554
March, 11	28.60	19.10	21,020	27.50	19.00	24,343
Total			19,78,824			95,20,389

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, 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. 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 84.22% 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, 2011

Shareholding of Nominal Value (Rs.)	No. of Shareholders	% of Total	Share Capital Amount (Rs.)	% of Total
5000	5,441	90.46	89,83,500	3.10
5001 to 10000	357	5.94	30,83,390	1.06
10001 to 20000	115	1.92	18,85,750	0.65
20001 to 30000	33	0.55	8,66,570	0.30
30001 to 40000	09	0.15	3,28,690	0.11
40001 to 50000	21	0.34	10,14,110	0.35
50001 to 100000	21	0.34	15,97,320	0.55
100001 and above	18	0.30	27,22,40,670	93.88
Total	6,015	100.00	29,00,00,000	100.00

**b) Categories of shareholders as at 31st March, 2011
(As per clause 35 of listing agreement)**

Sr. No.	Category	No. of Shareholders	No. of Shares	% of Shares
1	Promoters	1	2,13,79,722	73.72
2	Director's & their Relatives	7	14,100	0.05
3	Mutual Funds and UTI	2	300	0.001
4	Banks, Financial Institutions, Insurance	1	40,00,000	13.79
5	Private Corporate Bodies	116	17,14,610	5.91
6	Clearing Members	22	9,400	0.03
7	NRI's	291	1,01,502	0.35
8	Public	5,575	17,80,366	6.14
Total		6,015	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) w. e. f. 24th July 2000. As on 31st March, 2011, the total percentage of shares in Demat form was 84.22 % i.e. 2,44,24,969 shares, while in the year 2009-10 it was 84.17 % i.e. 2,44,10,644 shares. During the year 14,325 equity shares held in physical form got demated, in comparison to 23,211 shares demated in the previous year.

Dematerialization of Shares as on 31st March, 2011 is as follows:

Mode of Holding	No. of Shares Held	% of Shares
NSDL	2,38,66,323	82.30
CDSL	5,58,646	01.92
Total Demat Holding	2,44,24,969	84.22
Physical Holding	45,75,031	15.78
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) for the tenure of 6/18 months. As per the terms of issue the Debentures 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.

On 27th October, 2010 OPIs has transferred 86,47,336 Equity Shares and 3,21,80,000 OCDs along with the Underlying Securities / Properties including the invoked 1,18,14,114 Equity Shares held by IDBI Trusteeship Services Limited as Debenture Trustee on behalf of the OPIs to Bombay Rayon Fashions Limited (BRFL) resulted BRFL held total 2,04,61,450 Nos. of Equity Shares 70.56% of paid capital of the Company.

In compliance with SEBI Takeover Regulations, as

the aggregate equity stake of the Acquirers (BRFL) in the paid up equity share capital of the company, after the transfer of shares is more than the stipulated limit of 15%, BRFL have made on 1st November, 2010 a Public Announcement of the Offer to Acquire up to 58,00,000 Equity Shares of Rs. 10/- each, representing 20% of the issued, subscribed and paid-up equity share capital of the Company, from the Public Shareholders at a price of Rs. 29.00 per share & subsequent corrigendum dated 20th January, 2011 and 25th January, 2011 as well as Post Offer Public Announcement dated 24th February, 2011 acquired 9,18,272 (Physical 22,979 + Demat 8,95,293) Nos. of Equity Shares, resulted now BRFL holding total 2,13,79,722 Nos. of Equity Shares 73.72% being the promoter of the Company.

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. CEO & CFO Certificate:

The CEO & 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
For **STI India Limited**

Place : Mumbai
Date : June 4, 2011

Dr. R.B. Baheti
Chairman



CEO & CFO CERTIFICATE

We, Prashant Agrawal, Managing Director and S. D. Naik, Chief Financial Officer of STI INDIA LIMITED, to the best of our knowledge and belief, certify that:

- a) We have reviewed the financial statements and the cash flow statement for the year and that to the best of our 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) We 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 we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware the steps we have taken or propose to take to rectify these deficiencies.
- d) We 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 we 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**

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

Prashant Agrawal
Managing Director

S. D. Naik
Chief Financial Officer

Place : Mumbai
Date : June 4, 2011

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, 2011.

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

Place : Mumbai
Date : June 4, 2011

Prashant Agrawal
Managing Director

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, 2011, 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 **V. K. Beswal & Associates**
Chartered Accountants

CA R. P. Laddha
Partner
Membership No. 48195
Firm Regn. No. 101083W

Place: Mumbai
Date : June 4, 2011



Management Discussion and Analysis 2010-11

Textile Industry - Structure and Development

Indian textile industry is a big contributor to India's growth and development. The Indian textiles industry is pegged at US\$ 55 billion, 64% of which services domestic demand. The textiles industry accounts for 14% of Industrial production, which is 4% of GDP; employs 35 million people and accounts for nearly 12% share of the country's total exports basket.

The Vision Statement for the textiles industry for the 11th Five Year Plan (2007-12), inter-alia, envisages India securing a 7% share in the global textiles trade by 2012.

India's textiles products, including handlooms and handicrafts, are exported to more than a hundred countries. However, the USA and the EU, account for about two-third of India's textiles exports. The other major export destinations are Canada, U.A.E., Japan, Saudi Arabia, Republic of Korea, Bangladesh, Turkey, etc.

The export of textiles and clothing aggregated to US\$ 22.42 billion in 2009-10. The Government fixed the target for 2010-11 at US\$ 25.48 billion. So far during the period April-September'10, export of Textiles & Clothing (T&C) have been achieved at USD 11.26 billion.

Cotton Scenario

The Cotton Association of India has estimated the Indian crop for the season 2010-11 at 310/315 Lac bales during 2010-11 instead of that arrival was at 299 Lac bales during 2010-11. India has exported around 55 Lac bales of raw cotton during 2010-11.

According to International Cotton advisory Committee (ICAC), the global cotton production in 2010-11 was 24.80 million tones and consumption was 25.10 million tones. The cotton production in 2011-12 is likely to be 27.60 million tones and consumption would be 25.80 million tones.

The average cot look index for the season 2010-11 was 165 cents per pound and ICAC has estimated the same to be 138 cents per pound during 2011-12.

Company Structure and Developments

STI India Limited is situated amidst the cotton growing belt of Madhya Pradesh having 68016 Spindles and 16 Knitting Machines and producing 100% Cotton Yarns and Knitted Fabrics.

During the year under review the Eight Capital Master Fund, USA and Spinnaker Capital Group, UK {the Overseas Private Investors (OPIs)} has divested 86,47,336 equity shares and 32,180,000 OCDs (including invoked 1,18,14,114 equity shares held by debenture trustee) to M/s Bombay Rayon Fashions Limited (BRFL), a leading name in the Textile Industry. The aforesaid acquisition had triggered an open offer under SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 1997. The open offer has since been completed and now BRFL is holding 73.72% equity shares of the Company. The BRFL has since been recognised as Promoters of the Company.

During the year 2010-11, 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 textile industry, the second largest employer in the country and foreign currency earner, is required due attention and support from Government 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 2011-12. This augurs well for the future growth of the textile industry.

The Government introduced the registration system during the year under review and restricted the export quantity of cotton yarn from India at 720 million kgs and for 2011-12 at 845 million kgs.

To overcome 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, TFO yarns, slub yarns and viscose yarns.

FUTURE OUTLOOK AND MARKETING STRATEGY

The 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 five 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.

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, TFO Yarn, Slub Yarns and Viscose Yarns. The company having plan to double its existing knitting capacity 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.

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 Eli Twist Yarn, Organic Yarn, TFO Yarn for better realisation.

STI India has increased its presence in European/USA/Canada market by supplying around 60% - 65% 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.

Product wise Performance- Cotton Yarn and Cotton Knitted Fabric

During the year 2010-11 the Company produced 12032 MT in comparison to 13066 MT in the previous year. The average sales realization was higher at Rs. 188.60 per Kg. (Rs. 120.45). During the year the utilization of Company's knitted fabric capacity was higher producing 16.60 Lacs Kg knitted fabrics in comparison to the production of 13.53 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 or 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 reviews 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 in accordance with the applicable laws and that every transactions whether it is a financial nature or any other must describe their true nature.

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, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date 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.

1. As required by the Companies (Auditor's Report) Order, 2003 as amended issued by the Central Government in terms of sub-Section (4A) of Section 227 of the Companies Act, 1956. 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:
 - a) 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.
 - b) 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.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) 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 sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from directors as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with notes thereon and attached thereto give in the prescribed manner the information required by the Companies Act, 1956, required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In so far as it relates to the Balance Sheet of the state of affairs of the Company as at March 31, 2011,
 - ii) In so far as it relates to the Profit & Loss Account of the PROFIT of the company for the year ended on that date, and
 - iii) In so far as it related to the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **V. K. Beswal & Associates**
Chartered Accountants

CA R. P. Laddha
Partner

Membership No. 48195
Firm Regn. No. 101083W

Place: Mumbai
Date : June 4, 2011

Annexure to the Auditor's Report even date

(Referred to in paragraph 1 thereof)

1. In respect of Fixed Assets:
 - a) The Company has maintained proper records showing full particulars, quantitative details and situation of its fixed assets.
 - b) The fixed assets have been physically verified by the management at reasonable intervals during the year. We are informed that no material discrepancies were noticed by the management on such verification.
 - c) Based on our scrutiny of the records of the company and the information & explanation received by us, we report that there were sale of fixed assets during the year but the fixed assets disposed off did not constitute a substantial part of the fixed assets of the company.
2. In respect of Inventories:
 - a) As explained to us physical verification of inventories has been conducted during the year by the management at reasonable intervals.
 - b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
 - c) In our opinion and according to the information and explanation given to us, the Company is maintaining proper records of its inventories and no material discrepancies were noticed on physical verification.
3. In respect of loans, secured or unsecured granted or taken by the Company to/from the companies, firms or other parties covered in the register maintained under Section 301 of the companies Act, 1956:
 - a) During the year Company has not granted any loans to parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - b) In view of our comments above, clause 4 (iii) (b), (c) & (d) of the said order is not applicable to the company.
 - c) During the year Company has taken loans from 2 parties covered in the register maintained under Section 301 of the Companies Act, 1956 and the maximum amount outstanding during the year is Rs. 23.05 crores and the year-end balance is Rs 15.90 crores.
 - d) In our opinion and according to the information and explanations given to us, the rate of interest, where applicable and other terms and conditions, are not prima facie prejudicial to the interest of the Company.
 - e) In respect of the said loans, the same are repayable on demand and there is no repayments schedule.
 - f) In respect of the said loans, the same are repayable on demand and therefore the question of overdue amounts does not arise. In respect of interest, where applicable there are no overdue amounts.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and fixed assets. Further, on the basis of our examination of the books and records of the company, carried out in accordance with the auditing standards generally accepted in India and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct weaknesses in the aforesaid internal control system.
5. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
 - a) In our opinion and according to the information and explanations given to us the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in to the register required to be maintained under that section.
 - b) In our opinion and according to the information and explanations given to us, transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices, which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
6. According to the information and explanations given to us, the Company has not accepted any deposits from public.
7. In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
8. As per the information and explanations provided to us, we are of the opinion that in pursuant to the prescribed rules by Central Government, the company had maintained cost records u/s. 209(1) (d) of the Companies Act, 1956, however we have not done a detailed examination of the same.
9. In respect of Statutory Dues:
 - a) According to record of the Company produced before us, the Company is generally regular in depositing with appropriate authorities 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 applicable to it.
 - b) According to the information and explanations given, no undisputed amounts payable in respect of Income-Tax, sales tax, wealth tax, service tax, customs duty, excise duty/cess were outstanding as at 31.03.2011 for a period of more than six months from the date they became payable except as given below:-



Statement of Arrears of statutory dues outstanding for more than six months as at 31st March 2011:

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	0.21	2009-10
	Total	40.56	

Interest amount on the above dues (S.No 1 to 4) as on 31st March 2011 is Rs. 45.30 lacs.

(c) According to the records of the company there are no dues of Income-Tax, sales tax, wealth tax, service tax, customs duty, excise duty/cess which have not been deposited on account of any dispute except as given below.

Nature of the Act	Nature of the Dues	Amount (Rs. In Lacs)	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
Total		2312.42		

10. "In our opinion, the accumulated losses of the Company are more than its net worth reflecting erosion of its entire net worth". The company has not incurred cash loss during the financial year covered by our audit and in the immediately preceding financial year.
11. As per the information and explanations given to us the company is generally regular in making the repayments due to banks & financial institution and as at March 31, 2011 there is no overdue amount.
12. According to the information and 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.
13. In our opinion, and to the best of our information and according to the explanations provided by the management, we are of the opinion that the company is neither a Chit Fund

nor a nidhi/mutual benefit society. Hence, in our opinion, the requirements of para 4 (xiii) of the Order do not apply to the company.

14. As per records of the company and information and explanations given to us by the management, company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us the company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the records of the Company, the Company has not obtained any term loans during the year. Hence, comments under the clause are not called for.
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 investment by the company.
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 period covered by audit report the company has not issued any debentures.
20. During the year the company has not raised any money by way of public issue.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **V.K. Beswal & Associates**
Chartered Accountants

CA R.P. Laddha
Partner

Place: Mumbai
Date : June 4, 2011

M. No. 48195
Firm Registration No.: 101083W

BALANCE SHEET AS AT 31ST MARCH, 2011

PARTICULARS	SCHEDULE	As At	As At
		31/03/2011 (Rs. in Lacs)	31/03/2010 (Rs. in Lacs)
SOURCES OF FUNDS			
Shareholders' Funds:			
Share Capital	A	2900.00	2900.00
Reserve and Surplus	B	40.01	40.01
		<u>2940.01</u>	<u>2940.01</u>
Loan Funds:			
Secured	C	11755.82	14735.95
Unsecured	D	1590.00	-
		<u>13345.82</u>	<u>14735.95</u>
TOTAL		<u>16285.83</u>	<u>17675.96</u>
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	E	23663.55	23474.05
Less: Depreciation		14525.08	13401.83
Net Block		9138.47	10072.22
Capital work-in-progress		186.57	24.22
		<u>9325.04</u>	<u>10096.44</u>
Investments	F	1199.93	1199.93
Current Assets, Loans and advances			
Inventories	G	2494.71	1275.69
Sundry Debtors	H	1556.92	598.66
Cash and Bank Balances	I	57.29	79.26
Loans and Advances	J	435.89	625.35
		<u>4544.81</u>	<u>2578.96</u>
Less: Current Liabilities and Provisions			
Current Liabilities	K	2632.46	3763.49
Provisions	L	44.57	135.93
		<u>2677.03</u>	<u>3899.42</u>
Net Current Assets		1867.78	-1320.46
Profit and Loss Account	M	3181.39	7700.05
Deferred tax Assets (Net)		711.69	-
Notes to Accounts	W		
TOTAL		<u>16285.83</u>	<u>17675.96</u>

As per our report of even date
For **V. K. Beswal & Associates**
Chartered Accountants

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

CA R. P. Laddha
Partner
M.No.: 48195
Firm Reg. No. 101083W

Raj Kumar Bhawsar
Company Secretary

Dr. R. B. Baheti : *Chairman*
Prashant Agrawal : *Managing Director*
S. D. Naik : *Chief Financial Officer*

Place : Mumbai
Date : June 4, 2011

Place : Mumbai
Date : June 4, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULAR	SCHEDULE	Year ended 31/03/2011 (Rs. in Lacs)	Year ended 31/03/2010 (Rs. in Lacs)
INCOME			
Sales	N	24997.82	17878.40
Other Income	O	77.59	120.74
Increase/(Decrease) in Stocks	P	470.86	205.75
TOTAL		<u>25546.27</u>	<u>18204.89</u>
EXPENDITURE			
Cost of Materials	Q	18,620.84	13,421.72
Excise Duty		-	11.89
Manufacturing Expenses	R	2,706.01	2,366.65
Employees' Remuneration and Benefits	S	1,194.96	997.49
Administrative Expenses	T	267.21	258.37
Selling and Distribution Expenses	U	396.27	310.84
Interest & Finance Charges	V	205.61	364.11
Depreciation		1,156.69	1,150.51
TOTAL		<u>24,547.59</u>	<u>18,881.58</u>
Profit /(Loss) before taxation		998.68	(676.69)
Provision for taxation			
Current tax (Wealth tax)		0.18	-
Deferred tax		(711.69)	-
EXTRA ORDINARY ITEMS			
Prior year adjustments		19.53	2.76
Profit after tax		1,690.66	(679.45)
Balance brought forward from previous year		(11,473.05)	(10,793.60)
Waiver of Optionally Convertible Debentures (OCD) amount		2,828.00	-
Balance carried to Schedule M		<u>(6,954.39)</u>	<u>(11,473.05)</u>
Earning per Share -Basic & Diluted (In Rs.)		5.83	(2.34)
Notes to Accounts	W		

As per our report of even date
For **V. K. Beswal & Associates**
Chartered Accountants

CA R. P. Laddha
Partner
M.No.: 48195
Firm Reg. No. 101083W

Place : Mumbai
Date : June 4, 2011

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

Dr. R. B. Baheti : *Chairman*
Prashant Agrawal : *Managing Director*
S. D. Naik : *Chief Financial Officer*

Place : Mumbai
Date : June 4, 2011

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

PARTICULARS	31/03/2011 (Rs. in Lacs)	31/03/2010 (Rs. in Lacs)
Schedule: A		
Share Capital:		
Authorised		
4,00,00,000 Equity Shares of Rs. 10/-each	4000.00	4000.00
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 Equity Shares of Rs. 10/- each fully paid up.	2900.00	2900.00
TOTAL	<u>2900.00</u>	<u>2900.00</u>
Schedule: B		
Reserves and Surplus :		
Capital Reserve	40.01	40.01
TOTAL	<u>40.01</u>	<u>40.01</u>
Schedule: C		
Secured Loans:		
Debentures		
45,80,000 Optionally Convertible Debentures (OCD Series 1) of Rs. 40/- each	1832.00	2290.00
50,00,000 Optionally Convertible Debentures (OCD Series 3) of Rs. 08/- each	400.00	510.00
26,00,000 Optionally Convertible Debentures (OCD Series 2) of Rs. 40/- each	1040.00	1300.00
2,00,00,000 Optionally Convertible Debentures (OCD Series 4) of Rs. 40/- each	8000.00	10000.00
	<u>11272.00</u>	<u>14100.00</u>
Term Loans		
From Financial Institutions	126.93	265.98
	<u>11398.93</u>	<u>14365.98</u>
Working Capital Loan from Banks		
- Bills Discounted	356.89	369.97
TOTAL	<u>11755.82</u>	<u>14735.95</u>
Schedule: D		
Unsecured Loans:		
From Holding Company	1590.00	-
TOTAL	<u>1590.00</u>	<u>-</u>



PARTICULARS

31/03/2011 31/03/2010
(Rs. in Lacs) (Rs. in Lacs)

Schedule: E
Fixed Assets

(Rs. in Lacs)

S. N.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As on 01.04.2010	Additions/ Transfers	Deductions/ Transfers	As on 31.03.2011	As on 01.04.2010	For the year	Deduc- tions	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Tangible Assets:										
A	Leasehold Land	279.02	0.00	0.00	279.02	8.21	3.20	0.00	11.41	267.61	270.81
B	Freehold Land	67.93	0.00	0.00	67.93	0.00	0.00	0.00	0.00	67.93	67.93
C	Site Development	275.98	0.00	0.00	275.98	6.34	3.17	0.00	9.51	266.47	269.64
D	Factory Building	2606.35	0.00	0.00	2606.35	1125.15	87.06	0.00	1212.21	1394.14	1481.20
E	Non Factory Building	771.71	2.00	0.00	773.71	149.67	12.60	0.00	162.27	611.44	622.04
F	Plant and Machinery	19227.97	198.74	44.30	19382.41	11941.82	1032.23	29.46	12944.59	6437.82	7286.15
G	Vehicles	44.06	30.24	4.37	69.93	21.11	4.69	3.72	22.08	47.85	22.95
H	Computer	32.86	2.11	0.33	34.64	25.32	4.23	0.05	29.50	5.14	7.54
I	Furniture, Fixtures	161.64	3.71	0.29	165.06	122.73	8.28	0.21	130.80	34.26	38.91
J	Office Equipments	2.57	1.99	0.00	4.56	0.05	0.26	0.00	0.31	4.25	2.52
	Intangible Assets:										
A	Computer Software	3.96	0.00	0.00	3.96	1.43	0.97	0.00	2.40	1.56	2.53
	TOTAL	23474.05	238.79	49.29	23663.55	13401.83	1156.69	33.44	14525.08	9138.47	10072.22
	Capital Work in Progress (Including Advances)									186.57	24.22
										186.57	24.22
	TOTAL									9325.04	10096.44
	Previous year									10096.44	

Schedule: F

Investments :

(Long term)

Unquoted: (Fully paid up)
11999300 Equity Shares of Rs.10 /- each
of STI Sanoh India Limited

1199.93 1199.93
1199.93 1199.93

Schedule: G

Inventories:

(As Certified by the Management)

Raw Materials 1428.03 725.45
Finished Goods 535.12 276.20
Work-in-progress 290.86 213.33
Cotton Waste 147.25 12.85
Stores & Spares 93.45 47.86
TOTAL 2494.71 1275.69

Schedule: H

Sundry Debtors:

(Unsecured , considered good)

Over Six Months - -
Others 1556.92 598.66
TOTAL 1556.92 598.66

PARTICULARS

	31/03/2011	31/03/2010
	(Rs. in Lacs)	(Rs. in Lacs)
Schedule: I		
Cash and Bank Balances:		
Cash in hand	3.00	3.78
Balance with Scheduled Banks:		
On Current Account	32.61	11.76
On Margin Account	21.68	63.72
TOTAL	<u>57.29</u>	<u>79.26</u>
Schedule: J		
Loans and Advances:		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind- or for value to be received		
Suppliers, Employees & Others	100.44	51.85
Considered Doubtful	2450.75	2450.75
Less: Provision	<u>2450.75</u>	<u>2450.75</u>
	-	-
Income Tax	18.86	67.64
Foreign currency receivable	-	108.98
Deposit with Government Authorities and others	265.70	300.92
Balance with Government Authority	48.05	92.25
Balance with Others	2.84	3.71
TOTAL	<u>435.89</u>	<u>625.35</u>
Schedule: K		
Current Liabilities		
Sundry Creditors	1920.06	3042.68
Statutory Dues	94.94	72.66
Customers' Deposits and Credit Balances	611.87	532.69
Foreign currency payable	-	108.65
Deffered premium	-	0.14
Outstanding Expenses	5.59	6.67
TOTAL	<u>2632.46</u>	<u>3763.49</u>
Schedule: L		
Provisions		
Leave Encashment	44.57	37.93
Employees Gratuity	-	47.87
Fringe Benefit Tax	-	50.13
TOTAL	<u>44.57</u>	<u>135.93</u>
Schedule: M		
Debit Balance in Profit & Loss Account :		
Debit Balance as per Profit & Loss Account	6954.39	11473.05
Less: Securities Premium *	(3773.00)	(3773.00)
TOTAL	<u>3181.39</u>	<u>7700.05</u>

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

**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

PARTICULARS	31/03/2011 (Rs. in Lacs)	31/03/2010 (Rs. in Lacs)
Schedule: N		
Sales:		
Domestic	10708.90	5580.35
Export	14288.92	12298.05
TOTAL	24997.82	17878.40
Schedule: O		
Other Income:		
Interest (Gross)		
On Fixed Deposit with Bank/Others (Tax deducted at source Rs.2.34 lacs (Rs. 4.45 lacs)	19.27	24.90
Profit on sale of Assets	13.95	0.55
Sundry balance written back	3.60	1.01
Exchange Rate Fluctuation	1.42	0.00
Miscellaneous Income	39.35	94.28
TOTAL	77.59	120.74
Schedule: P		
Increase/(Decrease) in Stock :		
Closing Stock:		
Finished Goods	535.12	276.20
Work-in-progress	290.86	213.32
Cotton Waste	147.25	12.85
	973.23	502.37
Opening Stock:		
Finished Goods	276.20	123.87
Work-in-progress	213.32	153.27
Cotton Waste	12.85	19.48
	502.37	296.62
Increase/(Decrease)	470.86	205.75
Schedule: Q		
Cost of Materials		
Opening Stock	725.45	97.82
Add: Purchases	19323.42	14049.35
	20048.87	14147.17
Less: Closing Stock	1428.03	725.45
TOTAL	18620.84	13421.72

PARTICULARS
31/03/2011 31/03/2010
(Rs. in Lacs) (Rs. in Lacs)

Schedule: R
Manufacturing Expenses:

Stores & Spares	346.97	295.11
Packing Materials	305.72	293.53
Power & Fuel	1959.18	1700.49
Insurance	29.10	26.29
Repairs to Plant and Machinery	39.90	32.71
Repairs to Buildings	25.14	18.52
TOTAL	<u>2706.01</u>	<u>2366.65</u>

Schedule: S
Employees' Remuneration and Benefits:

Salaries, Wages, Gratuity and Bonus	888.21	785.01
Contribution to Provident and Other Funds	82.61	71.05
Workmen and Staff Welfare	170.71	121.27
Managerial Remuneration	53.43	20.16
TOTAL	<u>1194.96</u>	<u>997.49</u>

Schedule: T
Administrative Expenses:

Rent, Rates and Taxes	14.64	10.60
Stationery and Communication	23.39	22.52
Professional Fee and Legal Charges	67.51	78.31
Travelling, Conveyance , Vehicle Running & Maintenance	68.28	67.25
Charity and Donations	0.26	0.26
Directors' Fees	1.45	0.75
General Expenses	91.68	78.68
TOTAL	<u>267.21</u>	<u>258.37</u>

Schedule: U
Selling & Distribution Expenses:

Advertising and Publicity	1.34	2.26
Commission	149.57	133.36
Rebate and Discount on sale	55.63	26.38
Transportation, Insurance and others	171.36	114.10
Clearing and forwarding charges	18.37	34.74
TOTAL	<u>396.27</u>	<u>310.84</u>

Schedule: V
Interest and Finance charges

On Fixed Loans	20.34	34.91
On Others & finance charges	185.27	329.20
TOTAL	<u>205.61</u>	<u>364.11</u>

**SCHEDULE W****SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS FOR THE YEAR ENDED 31.03.2011****(1) SIGNIFICANT ACCOUNTING POLICIES****(I) BASIS OF PREPARATION OF FINANCIAL STATEMENTS:**

The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis. The accounts are prepared on historical cost basis as a going concern and are consistent with generally accepted accounting principles.

(II) SIGNIFICANT ACCOUNTING POLICIES**a. Revenue Recognition**

- a. Domestic sales are accounted for on dispatch of goods to customers. Gross Sales are net of sales returns.
- b. Export sales are accounted for on the basis of dates of Bill of Lading. Gross Sales are inclusive of incentives / benefits and net of sales returns.

b. Fixed Assets:

Fixed assets are stated at cost of acquisition less depreciation. Cost includes taxes, duties, freight, installation and other direct or allocated expenses up to the date of commercial production and net of CENVAT credit and Subsidy received, if any.

c. Depreciation on Fixed Assets:

- i. Depreciation on Fixed Assets is provided on 'Straight Line Method' at rates prescribed in Schedule - XIV to the Companies Act, 1956.
- ii. Depreciation on fixed assets added /disposed off during the year is provided on prorata basis.

d. Impairment of Assets:

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the profit & loss account as and when an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

e. Investments:

Current investments are carried at the lower of cost and quoted / fair value, computed category wise. Long Term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

f. Inventories:

Inventories are valued as under:-

Raw Material	At Cost
Work-in-Process	At Cost
Finished Goods	At lower of cost or net realisable value.
Stores and Spare	At Cost.
Cotton Waste	At estimated net realisable value.

Cost of Work in Process and Manufactured Goods includes material, labour & other appropriate overheads wherever applicable.

g. Foreign Currency:

Transactions in foreign currencies are recorded at the exchange rates notified by CBEC or at the exchange rate under related forward exchange contracts. The realized exchange gains / losses are recognized in the Profit & Loss account. All foreign currency current assets and liabilities are translated in rupees at the rates prevailing on the date of balance sheet.

h. Employee Benefits:

- i. Short Term Employee Benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- ii. Post employment benefits are recognized as an expense in the Profit and Loss account for the year in which the employee has rendered services. The expense is recognized based upon the premium amount determined by LIC Group Gratuity Scheme.
- iii. Long Term employee benefits are recognized as an expense in the Profit and Loss account for the year in which the employee has rendered services. 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. Taxation:

- i. Provision for current tax is made with reference to taxable income computed for the accounting period, for which the financial statements are prepared by applying the tax rates as applicable.
- ii. Deferred tax is recognised subject to the consideration of prudence, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Such deferred tax is quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognized and carried forward to extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

j. Borrowing Cost:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

k. Provisions, Contingent Liabilities and Contingent Assets:

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

1. Expenditure during construction period:

The expenditure incurred and attributable interest & financing costs incurred prior to commencement of commercial production including Trial Run Expenses in respect of new project & substantial expansion of existing facilities are capitalised.

- (2) a) Term loan of Rs. 126.93 lacs (Rs. 265.98 lacs) from GIC Housing Finance Ltd. is secured by equitable mortgage of housing complex at factory premises of the Company. Amount repayable within one year Rs. 126.93 lacs (Rs. 159.39 lacs) including interest.
- b) Working capital loan from Bank is secured by first charge on all hypothecated stock, entire current assets of the Company and equitable mortgage of immovable property situated at Village Sonvay, Tehsil-Mhow, Dist. Indore (M.P.) bearing survey No. 35&36/1, P.H. 2 as collateral.
- c) Optionally Convertible Debentures (OCD) series 1,3 and 4 are secured by 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-passu charge on all non fixed assets of the Company.
- d) Optionally Convertible Debentures (OCD) series 2 are secured by first charge on all non fixed assets of the Company and second pari-passu charge on present and future movable fixed assets of the Company.

2. CONTINGENT LIABILITIES NOT PROVIDED FOR:

(Rs. In Lacs)

Particulars	As at	As at
	31.03.2011	31.03.2010
(i) Claims against the company towards energy charges on Captive Generation.	490.32	490.32
(ii) Outstanding Amount of Madhya Pradesh Audyogik Kendra Vikas Nigam Limited (MPAKVN) towards Land Acquisition Settlement.	522.06	28.80
(iii) Estimated Interest amount payable on confirmed demand for sales and entry tax	58.13	39.55
(iv) Liability towards M/s Maharashtra State Cotton Grower Mktg. Federation on account of pending dispute under court of law.	73.82	73.82
(v) Disputed Sales Tax/ Entry Tax Demands	67.31	67.31
(vi) 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	11.24
(vii) 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	65.49
(viii) Demand towards Show Cause Notice Issued by Excise Department for charging Additional Custom Duty ,including penalty, on the import of HSD on account of which dispute is pending under Appeal	27.03	27.03
(ix) Demand towards Show Cause Notice issued by	2129.07	2129.07

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

- (x) Claim of Gujarat State Co-operative Cotton Federation Limited (GUJCOT) for cotton supplies, interest, carrying charges etc. disputed and not acknowledged by the Company. (Refer note No. 4) **10384.84** 10384.84

3. Capital Commitments :

Estimated amount of Capital Contracts remaining to be executed (net of advances) is Rs. 565.86 Lacs.

4. a) The Hon'ble BIFR Bench, vide order dated 1st November, 2010 while accepting the report of Operating Agency directed the company to incorporate the dues of GUJCOT in Draft Rehabilitation Scheme (DRS).
- b) The Company has preferred an appeal against the said order before Appellate Authority for Industrial & Financial Reconstruction (AAIFR) and the AAIFR vide their order dated 6th April, 2011 directed that impugned directions passed by the BIFR shall be subject to the final order passed by AAIFR in the Appeal. The matter is pending for hearing.
5. a) Bombay Rayon Fashions Limited (BRFL) has acquired 86,47,336 equity shares of Rs. 10 each fully paid-up and 32,180,000 OCDs (along with all the underlying security) from the erstwhile Private Equity share holders and OCD holders of Series 1, 2, 3 & 4 as intimated to the Company vide letter dated October 27, 2010. Further the underlying security including 1,18,14,114 equity shares of Rs. 10 each held by the IDBI Trusteeship Services Ltd. (on behalf of OCD holders) on invocation of the pledge were also transferred to BRFL.
- b) Consequent to the acquisition by BRFL as above-mentioned, the Open offer was triggered pursuant to SEBI (Acquisition and Takeover) Regulation, 1997 and at present BRFL is holding 2,13,79,722 equity shares constituting 73.72% of the equity capital of the Company. On conclusion of Open Offer, BRFL has become now Promoter of the Company.
- c) The erstwhile OCD holders have waived principal to the extent of Rs. 2828 Lacs against the principal outstanding on proportionate basis and the interest due on the OCDs from February 14, 2008 to October 26, 2010. Further BRFL has waived the interest due on the OCDs from October 27, 2010 to March 31, 2011.
- d) Since the debentures are presently owned by Indian Resident Company, the RBI Circular A.P. (DIR Series) No. 74 dated June 8, 2007 is not applicable.
6. During the year the Company has changed method of depreciation in respect of Motor Vehicles from Written Down Value Method to Straight Line Method prospectively w.e.f. 1st April 2010. However, there is no material impact on the financial statements.
7. The Board of Directors at its meeting dated 25th November,



2010 have taken note of the Report of Independent Chartered Accountant firm elaborating the details of certain financial transactions of the Company. The Board has directed to take necessary action in this regard. There is no ascertainable effect on the financials except some non-recoverable advances for which provisions have already been made in the books & charged to Profit & Loss Account.

8. Managerial Remuneration (Amount - Rs in Lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
a) Remuneration to Non Executive Chairman w.e.f. 01.11.2010	41.67 *	-
b) Remuneration to CMD upto 31.10.2010	10.50	18.00
c) Contribution to provident Fund	1.26	2.16
d) Superannuation Fund	1.57	2.70
Total	55.00	22.86

* Subject to approval of shareholders and Central Government.

9. Auditors Remuneration (Amount Rs. In Lacs):

	Year ended 31.03.2011	Year ended 31.03.2010
a) Statutory Audit Fees	8.00	5.52
b) Tax Audit Fees	2.00	1.10
c) Other Matters	0.77	0.00
Total	10.77	6.62

10. Segmental Reporting:

The Company is mainly engaged in the business of manufacturing of textiles consisting of yarn and fabrics. Considering the nature of business and financial reporting of the Company, the Company has only one segment viz; textile as reportable segment. The Company operates in Local & Export segments Geographically. The sales for both are separately given, but due to the nature of business the assets / liabilities and expenses for these activities cannot be bifurcated separately.

11. Computation of Deferred Tax:

Particulars	Amount (Rs. In lacs)		
Deferred Tax Liability			
Net Block as per Companies Act (31st March 2011)			8,802.93
Net Block as per Income Tax Act (31st March 2011)			2,736.93
Difference			6,066.00
Deferred Tax Liability (@33.2175%) (A)			2,014.97
Deferred Tax Asset			
Expenditure to be Disallowed u/s 43 B Bonus	41.82		
Leave Encashment	44.57	86.39	
Unabsorbed Depreciation		8,122.12	8,208.51
Deferred Tax Asset (@ 33.2175%) (B)			2,726.66
Net Deferred Tax (Asset) (A)-(B) recognized in Profit & Loss Account			(711.69)

12. Based on the information available with the Company, there are no suppliers who are registered as micro or small enterprises under The Micro, Small and Medium Enterprises Development Act, 2006, as at 31st March 2011.

13. 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

	Rs. In lacs	
	Leave Encashment 2010-11	Leave Encashment 2009-10
a) Present value of obligation as at the beginning of the period 01/04/2010	37.93	42.64
b) Acquisition adjustment	--	--
c) Interest cost	3.03	3.62
d) Past service cost	--	--
e) Current service cost	12.99	13.58
f) Curtailment cost/(Credit)	--	--
g) Settlement cost/(Credit)	--	--
h) Benefits paid	(8.62)	(11.60)
i) Actuarial (gain)/loss on obligation	(0.77)	(10.31)
j) Present value of obligation as at the end of period 31/03/2011	44.56	37.93

The amounts to be recognized in balance sheet

	31/03/2011	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	44.56	37.93
d) Unrecognised Past Service Cost	--	--
e) Net Liability	44.56	37.93
Amount in the balance sheet		
Liabilities	44.56	37.93
Asset	--	--
Net liability	44.56	37.93

Expense recognized in the statement of profit and loss

	2010-11	2009-10
a) Current service cost	12.99	13.58
b) Past service cost	--	--
c) Interest cost	3.03	3.62
d) Expected return on plan assets	--	--
e) Curtailment or Settlement cost / (Credit)	--	--
f) Net actuarial (gain)/ loss recognized in the period	(0.77)	(10.31)
g) Expenses recognized in the statement of profit & losses	15.25	6.89

Actuarial Assumptions:

	2010-11	2009-10
a) Mortality Table	LIC 1994-96 (Ultimate)	LIC 1994-96 (Ultimate)
b) Discount Rate	8.00%	8.50%
c) Expected Rate of Return on plan assets (P.A.)	0%	0%
d) Salary Growth Rate (P.A.)	6.50%	6.50%
e) Withdrawal rate 18 to 60 Years (P.A.)	5.00 % at younger ages & 1% at elder ages	5.00 % at younger ages & 1% at elder ages

B. Gratuity

The employees' Gratuity Fund Scheme, which is a defined plan, is managed by the Trust maintained with Life Insurance Corporation of India (LIC). The present value of obligation is determined based on actuarial valuation using 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.

Particulars	Rs. In lacs As on 31.03.11
1. Assumption	
Discount Rate	8.00%
Salary Escalation	7.00%
2. Present value of Obligation	
Present value of obligations as at beginning of year	82.17
Interest cost	6.57
Current Service Cost	14.88
Benefits Paid	(20.68)
Actuarial (gain)/loss on obligations	38.60
Present value of obligations as at end of year	121.53
3. Fair value of plan assets	
Fair value of plan assets at beginning of year	18.58
Expected return on plan assets	5.27
Contributions	78.30
Benefits Paid	(20.68)
Actuarial (gain)/loss on obligations	0.00
Fair value of plan assets at the end of year	81.47
Funded status	(40.06)
4. Actuarial Gain/Loss recognized	
Actuarial (gain)/loss on obligations	38.60
Actuarial (gain)/loss for the year - plan assets	0.00
Actuarial (gain)/loss on obligations	38.60
Actuarial (gain)/loss recognized in the year	38.60
5. The amounts to be recognized in the balance sheet	
Present value of obligations as at the end of year	121.53
Fair value of plan assets as at the end of the year	81.47
Funded status	(40.06)
6. Expenses Recognized in statement of Profit and loss	
Current Service cost	14.88
Interest Cost	6.57
Expected return on plan assets	(5.27)
Net Actuarial (gain)/loss recognized in the year	38.60
Expenses to be recognized in statement of Profit and loss	54.78

The Company has recognized Rs. 28.43 lacs in the Profit and loss account for the year ending 31st March 2011 under Defined Contribution Plan.



14. Related Party Disclosures (As certified by Management)

a) List of Related Parties and Relationships.

S. No.	Name of Related Party	Relationship
1.	Eight Capital Master Fund Limited (Cayman Island)	Private Foreign Investors jointly controlling 70.56% equity capital of the company
2.	Spinnaker Global Opportunity Fund Ltd. (British Virgin Islands)	
3.	Spinnaker Global Emerging Markets Fund Ltd. (British Virgin Islands)	
4.	Spinnaker Global Strategic Fund Ltd. (British Virgin Islands)	
5.	Bombay Rayon Fashions Limited	Holding Company
6.	STI Sanoh India Limited	Incorporated Joint Venture
7.	Key Management Personnel	
A	Dr. R.B .Baheti	Whole time Director upto 31.10.2010 Non Executive Chairman w.e.f. 01.11.2010
B	Mr. Prashant Agrawal	Managing Director } w.e.f. 25.11.2010
C	Mr. Aman Agrawal	
8.	Associate Companies (Enterprises in which key management personnel / relatives exercises significant influence)	
A	STI Power India Pvt. Ltd.	} upto 31.10.2010
B	STI Fabricraft Pvt. Ltd.	
C	Hyson Investment & Finance Pvt. Limited	
D	East West Finance Pvt. Ltd	

b) Related Party transaction (s) during the year 2010-11:

(Amount in Lacs)

Transaction	Associates & JVs	Holding Company	Key Management Personnel/ Relatives	Enterprises in which key Management Personnel/ relatives exercises significant influence
Loans received	-	1590.00	-	-
	(-)	(-)	(-)	(-)
Sales	-	1485.09	-	-
	(-)	(-)	(-)	(-)
Management Remuneration	-	-	55.00	-
	(-)	(-)	(22.86)	(-)
Payment of Interest	-	-	-	0.16
	(-)	(-)	(-)	(-)

15. Earnings 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 :		
(i) Net profit/(loss) available for Equity Share holders (Rs. In Lacs)	1690.66	(679.45)
(ii) Basic and diluted earnings per share (Rs.)	5.83	(2.34)

16. Information in respect of Joint Venture Company (JVC) - STI Sanoh India Limited, as per available financial statements as at 31st March, 2011 (Provisional) and 31st March, 2010 (Audited), is provided hereunder:-

Country of Incorporation	India
Proportion of Ownership Interest	43.48% (Rs. 1199.93 lacs of paid up equity share capital out of 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.

	2010-11 (Rs. in Lacs)	2009-10 (Rs. in Lacs)
i) Assets		
a) Net fixed assets	1727.40	1747.72
b) Net current assets	1495.13	1117.73
ii) Miscellaneous expenditure (to the extent not written off or adjusted)	-	-
iii) Credit (Debit) balance -Profit & loss a/c	998.01	686.06
iv) Liabilities (Loans & Deferred Credits)	817.56	816.65
v) Gross Income	10303.45	8100.08
vi) Gross Expenditure	9784.59	7552.34
vii) Contingent Liabilities	248.68	100.76

		Rs. In Lacs			
		Current year 31.03.2011		Prev. Year 31.03.2010	
17. C.I.F. Value of Imports:					
(a) Stores, Spares & HSD		51.94		38.00	
(b) Capital Goods		-		38.70	
18. Expenditure in Foreign Currency:					
(a) Foreign Traveling		3.69		5.30	
(b) Commission on Export Sales		52.62		30.34	
19. Earning in Foreign Exchange					
FOB value of Exports		4966.80		2999.62	
20. Installed Capacity	Unit				
(a). Cotton yarn/ Polyester cotton yarn/ Cotton Blended Yarn	Spindles	68016		68016	
(b). Cotton Knitted Fabric/Fabric P/C	Machines	16		16	
21. Production	Unit				
(a) Cotton yarn/ Polyester cotton yarn	MT	12032		13066	
(b) Cotton Knitted Fabric	MT	1660		1353	
22. Stores and Spares Consumed:					
(a) Indigenous		277.11	84.02%	237.17	84.28%
(b) Imported		52.69	15.98%	44.25	15.72%
Total		<u>329.80</u>	<u>100.00%</u>	<u>281.42</u>	<u>100.00%</u>

23. The disclosures mandated by paragraphs 3(i)(a), 3(ii)(a), 3(ii)(b) and 3(ii)(d) of Part II, Schedule VI to the Companies Act, 1956 have not been provided in view of applicability of exemption vide General Notification No. S.O. 301(E) dated 8th February 2011 issued under Section 211(3) of the Companies Act, 1956 by The Ministry of Corporate Affairs, Government of India.

24. Previous year figures have been re-grouped / reclassified wherever necessary to make them comparable.

As per our report of even date
For **V. K. Beswal & Associates**
Chartered Accountants

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

CA R. P. Laddha
Partner
M.No.: 48195
Firm Reg. No. 101083W

Raj Kumar Bhawsar
Company Secretary

Dr. R. B. Baheti : *Chairman*
Prashant Agrawal : *Managing Director*
S. D. Naik : *Chief Financial Officer*

Place : Mumbai
Date : June 4, 2011

Place : Mumbai
Date : June 4, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011**

	31.03.2011	(Rs. in Lacs) 31.03.2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax and after Extraordinary items	979.15	(679.45)
Adjustment For :		
Depreciation	1156.69	1150.51
Interest & Finance charges	205.61	364.11
Interest received	(19.27)	(24.90)
Premium	0.19	(0.19)
Loss on sale of Assets	(13.95)	(0.55)
Operative Profit before Working Capital Changes	2308.42	809.53
Adjustment For :		
Trade and Other Receivables	(926.55)	151.30
Inventories	(1219.02)	(841.82)
Trade & Other payable	(1113.60)	555.91
Cash Generation from Operations	(950.75)	674.92
Interest & Finance charges paid	(181.55)	(295.55)
Direct Taxes	48.60	(6.48)
Net Cash Flow from operating activities	(1083.70)	372.89
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and Others		
Capital Expenditure	(401.14)	(154.66)
Sale of Fixed Assets	29.79	3.03
Interest Received	19.27	24.90
Net Cash used in investing activities	(352.08)	(126.73)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Short Term Borrowings	1590.00	-
Decrease In working Capital loans	(13.08)	(184.47)
Interest on Term loans & Others	(24.06)	(68.55)
Repayment of Long Term Borrowings	(139.05)	(155.51)
Proceeds from Deferred Liabilities	-	(2.96)
Net Cash used in financing activities	1413.81	(411.49)
D. NET CHANGE IN CASH AND CASH EQUIVALENTS		
(A+B+C)	(21.97)	(165.33)
Cash and Cash Equivalents as at 1st April 2010	79.26	244.59
Cash and Cash Equivalents as at 31st March 2011	57.29	79.26

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

As per our report of even date
For **V. K. Beswal & Associates**
Chartered Accountants

CA R. P. Laddha
Partner
M.No.: 48195
Firm Reg. No. 101083W

Place : Mumbai
Date : June 4, 2011

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

Dr. R. B. Baheti : *Chairman*
Prashant Agrawal : *Managing Director*
S. D. Naik : *Chief Financial Officer*

Place : Mumbai
Date : June 4, 2011

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

1. Registration Details

Registration No.
 Balance Sheet Date

2. Capital Raised during the Year (Amount in Rs. Lacs)

Public Issue
 Bonus Issue
 Rights Issue
 Private Placement

3. Position of Mobilisation and Deployment of Fund (Amount in Lacs)

Total Liabilities
 Total Assets

Sources of Funds -

Paid-up Capital
 Secured Loans
 Share application Money
 Reserves & Surplus
 Unsecured Loans
 Deferred Credit

Application of Funds -

Net Fixed Assets
 Net Current Assets
 Accumulated Losses
 Investments
 Misc. Expenditure

4. Performance of Company (Amount in Lacs)

Turnover
 Total Expenditure
 Profit/(Loss) Before Tax
 Profit/(Loss) After Tax

(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.	Product Description
5205.11	COTTON YARN
6002.92	COTTON KNITTED FABRIC

As per our report of even date
For **V. K. Beswal & Associates**
Chartered Accountants

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

CA R. P. Laddha
Partner
M.No.: 48195
Firm Reg. No. 101083W

Raj Kumar Bhawsar
Company Secretary

Dr. R. B. Baheti : *Chairman*
Prashant Agrawal : *Managing Director*
S. D. Naik : *Chief Financial Officer*

Place : Mumbai
Date : June 4, 2011

Place : Mumbai
Date : June 4, 2011



STI India Limited

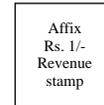
Regd. Office. : Rau-Pithampur Link Road, Tehsil - Mhow, Dist. Indore - 453 332 (M.P.) India

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 Sixth Annual General Meeting of the Company to be held on Wednesday the 7th
September, 2011, 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, 2011

Folio No.:Members Signature



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 Sixth Annual General Meeting of the Company being held on Wednesday the 7th September, 2011, 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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