

MD	✓			BKC	✓
CS	✓			DPY	NA
RO	✓			DIV	NA
TRA	NA			AC	✓
ACM	✓	✓		SHI	✓
YE	✓	✓	✓		✓

STERLING SPINNERS LTD.,



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THIRD ANNUAL REPORT 1996-97


Sterling Spinners Ltd.
BOARD OF DIRECTORS

1. MR. K.S. VENUGOPAAL
2. MR. M. PARAMASIVAM I.A.S.(Retd.)
3. MR. K. ALAGIRISWAMI
4. MR. R.K. JHAVER
5. MR. K.S. KAMALAKANNAN

CHAIRMAN-CUM-MANAGING DIRECTOR
AUDITORS

S. DHANYAKUMAR & CO.,
3, South Boag Road,
Thyagaraya Nagar,
Chennai 600 017.

BANKERS

PUNJAB NATIONAL BANK,
109, Nainippa Naicken St.,
Sowcarpet, Chennai 600 003.

COMPANY SECRETARY

MR. J. NARAYANAN

REGISTERED OFFICE

377/2, S.N. Street,
Tollgate,
Chennai 600 081.

SPINNING MILL

Pa. Pudupatti (P.O.)
Vedasandur Taluk,
Dindigul 624 005.

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THIRD ANNUAL REPORT
&
Statement of Accounts
for the Year ended
31st March, 1997

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NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Third Annual General Meeting of Members of M/s.STERLING SPINNERS LTD, Chennai will be held at the Registered Office of the Company, at No.377/2, Suryanarayana Street, Chennai 600 081 on Monday the 1st September, 1997 at 10.00 A.M. to transact the following business:-

AGENDA

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31.03.1997 and the Profit and Loss Account of the company for the year ended 31st March, 1997 and the Report of the Auditor and Directors' thereon.
2. To elect a Director
To appoint a Director in the place of Shri.K.Alagiriswami, Director who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution.
"RESOLVED that M/s.S.Dhanyakumar & Co., Chartered Accountants, Chennai, retiring Auditors be and are hereby re-appointed as Auditors of the company to hold office from the conclusion of this Meeting till the conclusion of the Fourth Annual General Meeting of the company on a remuneration of Rs.20,000/- (Rupees Twenty Thousand only)".

"By Order of the Board"
For STERLING SPINNERS LTD.,

Place : Chennai.
Date : 16.06.1997

J.NARAYANAN
COMPANY SECRETARY

NOTES:

- A. 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Proxy in order to be valid should be properly filled in, the revenue stamp affixed and signed should be deposited with the company atleast 48 hours before the time fixed for the commencement of the Meeting.
3. The Register of Members and Share Transfer Books will remain closed from Tuesday, the 19th. August, 1997 to Monday, the 1st September, 1997 (both days inclusive)
- B. 1. Members are requested to notify immediately any change in their address, to the Registrars and Share Transfer Agents M/s.Mafatlal Consultancy Services (India) Ltd., 157, Habibulla Road, Thyagaraya Nagar, Chennai - 600 017.
2. Shareholders seeking any information with regard to accounts are requested to write to the Registered Office of the Company at an early date so as to enable the Management to keep the information ready.
3. Members/Proxies should bring the attendance slip for attending the meeting.
4. Shareholders are requested to bring their copy of Annual Report for the meeting.



Sterling Spinners Ltd.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Third Annual Report together with the Audited Accounts of the company for the year ended 31st March, 1997.

1. FINANCIAL RESULTS:

	1996-97 (Rs.in lakhs)
Profit before Interest & Depreciation	19.35
Less:	
(a) Interest & Financial charges	57.79
(b) Depreciation	24.02
	<u>81.81</u>
Profit +/- Loss (-) Before Tax	(62.46)
Less: Provision for Taxation	—
Profit +/- Loss (-) after Tax	<u>(62.46)</u>

2. REVIEW OF OPERATIONS:-

The Company has commenced its commercial production on 5th July, 1996 with 4032 Spindles and has achieved the Production capacity of 12096 Spindles during March, 1997 in stages.

It took almost nine months to get all the machineries erected and commissioned since the company was forced to extend the date of allotment money payable by the shareholders on account of depressed stock Market and tight money market conditions.

3. FUTURE PROSPECTS:

Consistent with the progressive policies of the company, the capacity utilisation is to be improved besides adding up of value additions for the end product. The company is contemplating on an Expansion Programme for adding another 4032 Spindles with additional Combers for getting the finer variety of yarn. This, your Directors expect would yield better results in the ensuing year.

4. RESOURCES:

As contemplated in the Prospectus dated 3.1.96, Term Loans sanctioned aggregating to Rs.600 lakhs comprising Rs.300 lakhs from SIPCOT, Rs.150 lakhs from TIIC and the balance Rs.150 lakhs from PNB were received and invested into the project by the Company.

Moreover the sanction of working capital limit upto Rs.230 lakhs by Punjab National Bank has helped the Company in meeting the working capital requirements.

Further Plans are on the anvil to raise necessary resources for the proposed Expansion Programme.

5. DIVIDEND

This being the First year of Commercial Operations, the Board could not consider recommending any Dividend.

6. DIRECTORS:

During the year there is no change in the Directorship on the Board of the Company. Shri.K.Alagiriswami, Director who retires by rotation and being eligible, offers himself for re-appointment.

7. AUDITORS:

M/s.S.Dhanyakumar & Co., Chartered Accountants will retire as Auditors at the ensuing Annual General Meeting and are eligible for re-appointment.

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8. INDUSTRIAL RELATIONS:

During the year under report, the Company continued to have harmonious and cordial relations with its employees.

9. WOMEN WORKERS' SUBSIDY:

Your Directors are happy to inform you that M/s.SIPCOT has sanctioned women workers' subsidy amounting to Rs.3.15 lakhs during the period under report as the Company has provided. employment to women workers, Thus the Socio-economic objective of the Government is being carried out by your company by providing job opportunities to the Women Workers.

10. PARTICULARS OF EMPLOYEES IN TERMS OF THE REQUIREMENT OF SEC. 217 (2A) OF THE COMPANIES ACT 1956, READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975 AS AMENDED UPTODATE:-

None of the employees of the company during the year under report was paid a remuneration which in aggregate of Rs.3,00,000/- per annum or Rs.25,000/- per month for any part of the year.

11. INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956.

Particulars required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

(A) CONSERVATION OF ENERGY:

The supply of power of 500 KVA from TNEB was given only on 31.3.97 and until then the unit was running on Diesel generated power.

Now that the Expansion Scheme is on the anvil, we would be needing an additional 500 KVA of Power for which necessary steps were taken and we do not envisage any difficulty in getting the Power Supply.

Apart from this, your Directors have requested SITRA to conduct Energy Audit in order to conserve Energy in the areas where it is possible.

Power & Fuel Consumption :

(a) Electricity Purchased Units and Amount - Nil

(b) Own Generation

For the period under report, an amount of Rs. 26.57 lacs was spent towards diesel power for producing 2,64,256 kgs of Yarn (Rs. 10.06 per kg of Yarn / 3.50 per unit)

(B) TECHNOLOGY ABSORPTION :

The Company is yet to carry out Research & Development Activities and it is proposed to introduce the same in the areas of :

(a) Grading of Cotton for Specific Count and quality of yarn
and

(b) Evaluation and maintenance of quality of yarn at various stages of Processing and optimising the process parameters to achieve the best quality yarn to cope up with the international standards.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO : -

During the period under review, there is neither Foreign Exchange earnings nor outgo.

12. ACKNOWLEDGEMENTS :

Your Directors acknowledge with gratitude the excellent assistance and support rendered by M/s. State Industries Promotion Corporation of Tamilnadu Limited, M/s. Tamilnadu Industrial Investment Corporation Limited, M/s. Punjab National Bank, Tamilnadu Electricity Board, Suppliers, Dealers and Shareholders without which it would not have been possible to implement the Project. Your Directors also wish to place on record their appreciation of the devoted services rendered by the employees of the Company at all levels.

On behalf of the Board

Place : Chennai

Date : 16.06.1997

K.S.VENUGOPAAL

Chairman-cum-Managing Director.



AUDITOR'S REPORT

To

The Shareholders of

STERLING SPINNERS LTD

We have audited the attached Balance Sheet of Sterling Spinners Ltd, Chennai as at 31st March, 1997 and the Profit & Loss Account for the year ended on that date annexed thereto and report that

1. As required by the manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we state our comments on the matters specified in paragraph 4 and 5 of the said order.
 - i. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management. In our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies have been noticed on such verification.
 - ii. None of the fixed assets have been revalued during the year.
 - iii. The stock of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of the verification is reasonable.
 - iv. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of the business.
 - v. The discrepancies noticed on verification between the physical stocks and the book records were not material and those have been properly dealt with in the books of accounts.
 - vi. On the basis of our examination of stock records we are of the opinion that the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles.
 - vii. The Company has taken loans by way of inter-corporate deposit from the company under same management and repaid the same during the year under report. In our opinion the rate of interest and other terms and conditions are not prima-facie prejudicial to the interest of the company.
 - viii. In our opinion, the rate of interest and other terms and conditions on the basis of which loans have been granted to Companies, firms or other parties listed in the registers maintained under section 301 of the Companies Act, 1956 and to the companies under the same management as defined under sub-section (1-B) of section 370 of The Companies Act, 1956, are not, prima-facie, prejudicial to the interest of the Company.
 - ix. The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of the interest wherever applicable.
 - x. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size and the nature of its business with regard to purchases of the stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
 - xi. In our opinion and according to the information and explanations given to us, there were no transactions of purchase of goods, materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 aggregating to Rs.50000/= or more during the year in respect of each party.
 - xii. As explained to us, the Company has regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.

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- xiii. The Company has not accepted any deposits from the public under section 58A of the Companies Act, 1956.
 - xiv. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap and the company has no by-products resulting from the manufacturing process of the Company.
 - xv. In our opinion and according to the information furnished to us, the company has internal audit system commensurate with its size and nature of its business.
 - xvi. The company has maintained cost records prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956.
 - xvii. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as at 31st March, 1997 for a period of more than six months from the date they become payable.
 - xviii. According to the information and explanations given to us, the provisions of Employees State Insurance Act and Employees Provident Fund Act are not applicable to the company.
 - xix. According to the information and explanations given to us, no personal expenses of employees or Directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.
 - xx. The Company is not a Sick Industrial Company within the meaning of clause (O) of sub-section(1) of Section 3 of Sick Industrial Companies (Special Provisions) Act 1985, (1 of 1986).
2. Further to the above
- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books.
 - c) The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account.
 - d) In our opinion and to the best of our information and according to the explanations furnished to us, the said Balance Sheet and Profit and Loss Account read together with the schedules annexed therewith give the informations as required by the Companies Act, 1956 in the manner so required and give a true and fair view,
 - i. In so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March, 1997 and
 - ii. In so far as it relates to the Profit and Loss Account of the loss of the Company for the year ended on that date.

For S. DHANYAKUMAR & CO.,
Chartered Accountants.

Place : Chennai
Dated : 16.6.1997

D. SAMPATHKUMAR.
Proprietor.