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STERLING SPINNERS LTD.,



FOURTH ANNUAL REPORT 1997-98



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,
Sowcarpet Branch,
109, Nainippa Naicken St.,
Sowcarpet, Chennai 600 003.

COMPANY SECRETARY

Mr. K.V.S.RAGHAVAN

REGISTERED OFFICE

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

SPINNING MILL

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

ADMINISTRATIVE OFFICE

18/3, Rukmani Lakshmipathy Road,
Rajah Annamalai Building-Annex,
Egmore, Chennai - 600 008.

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NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Fourth 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 7th September 1998 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 31.03.1998 and the Profit and Loss Account of the company for the year ended 31st March, 1998 and the Report of the Auditor and Directors' thereon.
2. To elect a Director
To appoint a Director in the place of Shri.M.Paramasivam, 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 Fifth Annual General Meeting of the company on a remuneration of Rs.20,000/- (Rupees Twenty thousand only)".

SPECIAL BUSINESS

- To consider and if thought fit to pass with or without modification, the following resolution as Special Resolution.
4. "RESOLVED to ratify the payment of Remuneration to Sri.K.S.Venugopaal, Chairman-cum-Managing Director with effect from 1.4.1998 and further resolved that he shall be entitled to continue to receive the same Remuneration during his remaining tenure as Chairman-cum-Managing Director for the services to be rendered as Chairman-cum-Managing Director as set out hereunder :
 1. Salary : Rs.70,000/- (Rupees Seventy thousand only) per month
 2. Commission : One percent commission on the Net Profits of the company, computed in the manner laid down in the Companies, Act, 1956.
 3. Perquisites : Perquisites shall be allowed in addition to both salary and Commission. Perquisites are classified into Three Categories.
Perquisites in Category 'A' below will be restricted to Rs.24,000/- per annum.

CATEGORY 'A'

- Club fees : Fees to clubs subject to a maximum of two clubs except admission and life membership fees.

CATEGORY 'B'

- i) Contribution to Retirement Benefit Funds and other provisions : Company Contribution to Provident Fund Super Annuation Fund or Annuity Fund as per the company. The total contribution to all the above said funds shall not exceed 25% of the salary of Sri.K.S.Venugopaal, Chairman-cum-Managing Director as laid down under the Income Tax Rules, 1962. These will not be included in the computation of Ceiling on perquisites to the extent they are not taxable under the Income Tax Act, 1961.
- ii) Gratuity : Gratuity payable shall not exceed one half month's salary for each completed year of service. The same shall not be considered in the computation of the ceiling on perquisites.
- iii) Encashment of Leave : Entitled for encashment of leave at the end of the tenure. The same shall not be considered in the computation of the Ceiling on perquisites.

CATEGORY 'C'

- i) Car : To provide a car for use of Company's business.
- ii) Telephone : To provide a Telephone facility at Residence.
These will not be considered as perquisites. Personal long distance calls on Telephone and use for private purpose shall be billed by the Company to Sri.K.S.Venugopaal, Chairman-cum-Managing Director.
- iii) Leave : Privilege leave, sick leave and all other facility according to the rules of the Company.
- iv) Entertainment Expenses : Sri.K.S.Venugopaal, Chairman-cum-Managing Director would be entitled to re-imbursement of all entertainment expenses actually and properly incurred for the business of the Company.



Sterling Spinners Ltd.

4. Sitting fees : Sri.K.S.Venugopaal, Chairman-cum-Managing Director so long as he functions as Chairman-cum-Managing Director shall not be paid any sitting fees for attending the meetings of Board of Directors and Committee thereof.
5. Minimum Remuneration : In the event of Loss or inadequacy of Profits. Sri.K.S.Venugopaal, Chairman-cum-Managing Director shall be paid only his salary and perquisites mentioned above, excluding the commission"

Place Chennai

Date 29.06.1998

"By Order of the Board"

For **STERLING SPINNERS LTD.,**

K.V.S.RAGHAVAN

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 form must be lodged at the Registered Office of the company at least 48 hours before the time of the Meeting.
3. The Register of Members and Share Transfer Books will remain closed from Thursday, the 20th August, 1998 to Monday, the 7th September, 1998 (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.Mafatta Consultancy Services (India) Ltd., 157, Habibulla Road, Thyagaraya Nagar, Chennai - 600 017.
2. Share holders 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.

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

SPECIAL BUSINESS

For the proposed Special Resolution No.4.

You are aware that Sri.K.S.Venugopaal has been appointed as Chairman-cum-Managing Director of the company for the period of five years with effect from 1.9.1995 in the First Annual General Meeting of the company held on 29.09.1995 and also approved the payment of remuneration to him upto 5% of Net Profits of the company as stipulated Under Section 198 and 309 of the Companies Act, 1956 together read with Schedule XIII of the Companies Act, 1956. Further the Board of Directors of the company have been authorised to fix the terms and conditions of drawing up of remuneration by Sri.K.S.Venugopaal, Chairman-cum-Managing Director in such a manner as mutually agreed by the Board of Directors and Sri.K.S.Venugopaal, Chairman-cum-Managing Director from time to time. You are further aware that Sri.K.S.Venugopaal, Chairman-cum-Managing Director has waived the Remuneration payable to him for the services to be rendered as Chairman-cum-Managing Director with effect from 1.9.1995. Accordingly he has not drawn the remuneration from 1.9.1995 till 31.3.1998. Sri.K.S.Venugopaal, who has hitherto drawn remuneration from M/s. Savorit Limited where he is also working as Chairman-cum-Managing Director has opted to draw remuneration from our company for the services rendered as Chairman-cum-Managing Director with effect from 1.4.98 on the same package of remuneration hitherto drawn by him from M/s. Savorit Limited and has exercised his option not to draw any remuneration from that company.

On the request of Sri.K.S.Venugopaal, Chairman-cum-Managing Director and with the powers bestowed, the Board of Directors in their Board Meeting dated 28.03.1998 have fixed the remuneration payable to Sri.K.S.Venugopaal, for the services rendered as Chairman-cum-Managing Director while taking note of the provisions of Schedule XIII and other applicable provisions of the Companies Act, 1956. Accordingly the Abstract of terms of Remuneration payable to Sri.K.S.Venugopaal, Chairman-cum-Managing Director of the company pursuant to Section 302 of the Companies Act, 1956 has been sent to all the members of the company for their information.

The Board of Directors of the company thought it fit to have the sanction of the members of the company by way of ratification for the payment of remuneration to Sri.K.S.Venugopaal, Chairman-cum-Managing Director for the services rendered as Chairman-cum-Managing Director. Hence the above Resolution has been proposed as Special Resolution.

None of the Directors other than Sri.K.S.Venugopaal, being a Director of the company is interested in the aforesaid resolution to the extent of the remuneration proposed to be payable to him and Sri.K.S.Kamalakannan, Director being relative is interested in the aforesaid resolution.

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fourth Annual Report together with the Audited Accounts of the company for the year ended 31st March, 1998.

1. OPERATING RESULTS:

	Current year	Previous year
	(Rs.in lakhs)	
Net sales/Income from operations	941.83	255.65
Other Income	2.17	5.21
	944.00	260.86
Total Expenditure	779.07	241.51
Interest	174.22	57.79
Gross Profit/(Loss) after Interest but before depreciation and Taxation	(9.29)	(38.44)
Depreciation	58.58	24.02
Net Profit/(Loss)	(67.87)	(62.46)

Your Directors wish to inform that the company has achieved a Turnover of Rs.941.83 lakhs despite recessionary trend and sluggish market conditions faced by the Textile Industry. Your Directors are hopeful of achieving better performance in the ensuing year.

2. DIVIDEND:

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

3. DIRECTORS:

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

4. AUDITORS:

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

5. INDUSTRIAL RELATIONS:

During the year under report, the Company continued to have harmonious and cordial relations with its employees and your Directors recognise the services rendered by the employees and wish to record Board's appreciation for the sincere work rendered by them.

6. 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 upto date:-

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.

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

Particulars required under company's (Disclosure of Particulars in the report of Board of Directors) Rules 1988:

(A) CONSERVATION OF ENERGY:

POWER AND FUEL CONSUMPTION:	1997-98	1996-97
1. 1. ELECTRICITY:		
a) PURCHASED:		
UNITS:	26.90 LAKHS	-
TOTAL AMOUNT:	Rs.76.24 LAKHS	-
RATE/UNIT:	Rs. 2.83	-



Sterling Spinners Ltd.

b) OWN GENERATION;

UNITS:	10.28 LAKHS	7.59 LAKHS
TOTAL AMOUNT:	Rs.35.77 LAKHS	26.57 LAKHS
RATE/UNIT:	Rs. 3.48	3.5

c) THROUGH STEAM TURBINE/GENERATOR:

2. a) CONSUMPTION PER UNIT OF PRODUCTION:	3.88 UNITS	3.50 UNITS
b) COST OF CONSUMPTION PER UNIT OF PRODUCTION	Rs.11.71	Rs.10.06

(B) TECHNOLOGY ABSORPTION:

The Company has taken steps in carrying out Research & Development Activities 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 with the international standards.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:-

During the year under review, there is neither Foreign Exchange Earnings nor outgo.

8. ACKNOWLEDGEMENTS:

Your Directors wish to place on record their gratitude to the Central and State Governments M/s.SIPCOT, M/s.TIIC, M/s.PNB, Suppliers, Dealers and the Shareholders for their continued co-operation and support.

Place : Chennai

Dated : 29.06.98

On behalf of the Board

K.S.VENUGOPAL
CHAIRMAN-CUM-
MANAGING DIRECTOR.

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S. DHANYAKUMAR & CO.
 CHARTERED ACCOUNTANTS

PHONE: 4341189
 3, SOUTH BOAG ROAD
 T.NAGAR,
 CHENNAI 600 017.

AUDITOR'S REPORT

To

The Shareholders of
 STERLING SPINNERS LTD

We have audited the attached Balance Sheet of M/s.Sterling Spinners Ltd, Chennai as at 31st March, 1998 and also 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 its 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 and is on the same basis as in the preceding year.
 - vii. The Company has taken loans by way of inter-corporate deposit from the company under same management. 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 Company has not given loans secured or unsecured to companies, firms or other parties listed in the registers maintained as defined under sub-section (1-B) of Section 370 of the Companies Act, 1956 (1 of 1956).
 - 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.