

STERLING SPINNERS LTD.



EIGHTH ANNUAL REPORT 2001-2002

// Certified True Copy //

For **STERLING SPINNERS LTD.**

A handwritten signature in black ink, likely of the Chairman cum Managing Director, is written over the printed name.

CHAIRMAN cum MANAGING DIRECTOR

Sterling Spinners Ltd.,**BOARD OF DIRECTORS**

1. Mr. K.S. VENUGOPAAL
2. Mr. K. ALAGIRISWAMI
3. Mr. R. VIJAYKUMAR

Chairman-Cum-Managing Director
Director
Director

AUDITORS

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

BANKERS

PUNJAB NATIONAL BANK,
Sowcarpet Branch,
109, Nainiappan Naicken St.,
Sowcarpet, Chennai - 600 003.

REGISTERED OFFICE

New No. 4, (Old No. 377/2), S.N. Street,
Tollgate,
Chennai - 600 081.

SPINNING MILL

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

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EIGHTH ANNUAL REPORT
&
Statement of Accounts
for the Year ended
31st March, 2002

8th Annual Report 2001-2002

NOTICE TO THE SHARE HOLDERS

NOTICE is hereby given that the **Eighth Annual General Meeting** of Members of **M/s. STERLING SPINNERS LTD., CHENNAI** will be held at the Registered Office of the Company at New No.4, (Old No.377/2) Suryanarayana Street, Chennai – 600 081 on **FRIDAY** the 6th September, 2002 at 10.15 A.M. to transact the following business:

AGENDA

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31.03.2002 and Profit and Loss Account of the Company for the year ended 31st March, 2002 and the Report of the Auditor's and Director's thereon.

To consider and if thought fit to pass with or without modification the following resolutions an Ordinary Resolution.

2. "RESOLVED that Sri.K.Alagiriswamy, Director who retires by rotation and who being eligible offer himself for re-appointment, be and is hereby appointed as Director of the company who shall liable to retire by way of rotation.
3. "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 to the conclusion of the Ninth 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**

K.S.VENUGOPAAL

CHAIRMAN-CUM-
MANAGING DIRECTOR

Place : Chennai

Date : 19.07.2002

NOTES:

- A.1. A MEMBER IS 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 Monday, the 2nd September, 2002 to Friday the 6th September, 2002 (both days inclusive)
4. Nomination facility is available to every shareholder Under Section 109 A of the Companies Act, 1956.
- B.1. Members are requested to notify immediately any change in their address, to our Registered Office of the company New No.4, (Old No.377/2) Suryanarayana Street, Tollgate, Chennai – 600 081.
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 the copy of the Annual Report for the meeting.

Sterling Spinners Ltd.,**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Eighth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2002.

1. OPERATING RESULTS:

	Current year	Previous year
	(Rs.in lakhs)	
Net Sales / Income from Operations	716.24	1217.10
Other Income	<u>22.97</u>	<u>5.95</u>
	<u>739.21</u>	<u>1223.05</u>
 Total Expenditure	 768.42	 1178.40
Interest	203.07	208.50
Gross Profit/(Loss) after Interest but before Depreciation and Taxation	(232.28)	(163.85)
Depreciation	75.22	75.01
Net Profit/(Loss)	(307.50)	(238.86)

Your Directors wish to inform that the company has achieved a Turnover of Rs.716.24 lakhs in the Current Year as against Rs.1217.10 Lakhs turnover of previous year. Your Directors report that the Net Loss of the Company for the year under review is increased to Rs.307.50 lakhs from Rs.238.86 lakhs of previous year due to sickness of the company.

2. DIVIDEND:

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

3. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the company's Articles of Association, Sri.K.Alagiriswamy, Director will retire by rotation and being eligible offers himself for re-appointment.

4. AUDITORS OBSERVATION ON ACCOUNTS:

- In respect of qualification made by Auditors under clause 3 (a) (i) of Auditor's report, the company is awaiting further directions from BIFR and the Company will comply the same. The accounts have been prepared on a going concern basis since the company is running the business inspite of sickness of the Company
- In respect of qualification made by Auditors under clause 3 (a) (ii) of Auditors Report, due to sickness of the company, the Company is not able to repay the principal and to pay interest to the Financial Institutions and Banks.
- In respect of qualification made by the Auditors under clause 3 (a) (iii), the company will take steps to obtain confirmation letters for balances of loans and advances, Sundry Debtors and Sundry Creditors and will submit to the Auditors at the time of next year Audit.

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5. **AUDIT COMMITTEE:** An Audit Committee of the Board of Directors has been constituted as per Section 292A of the Companies Act, 1956. The Committee comprises of Sri.R.Vijaykumar, Director, Sri.K.Alagiriswami, Director and Sri.K.S.Venugopaa, Chairman-cum-Managing Director, with Sri R. Vijaykumar as its Chairman.

The role, terms of reference and the authority and powers of the Audit Committee are in conformity with the requirements of the Companies Act, 1956.

6. **CORPORATE GOVERNANCE:** Your Directors have to inform that your company is required to comply with the requirements of corporate Governance by 31st March, 2003. The company is taking necessary steps in this regard.

7. **DIRECTORS' RESPONSIBILITY STATEMENT:**

In terms of Section 217 (2AA) of the Companies, Act, 1956, Your Directors declare:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) that they have selected such accounting policies and applied them consistently and made judgements 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 profit or loss of the company for that period;
- iii) that 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; and
- iv) that they have prepared the annual accounts on a 'going concern' basis.

8. **AUDITORS:**

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

Sterling Spinners Ltd.,

9. PARTICULARS OF EMPLOYEES:

In terms of the requirement of Section, 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975 as amended upto date is given below:

Statement showing the particulars of Employees pursuant to section 217 (2-A) of the Companies Act, 1956 read with the Companies (Particulars of employees) (Rules 1975).

Name	Designation	Remuneration	Qualification	Experience	Date of Commencement Employment	Age	Employment before joining the Company
Sri.K.S.Venugopaal	Chairman-cum- Managing Director	Rs.14,40,000/- Per Annum	M.Com.	32 years	24.03.1995	52	Rendering services as Chairman-cum-Managing Director of Savorit Limited and continuing the same without an remuneration.

10. 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 :

1) POWER AND FUEL CONSUMPTION

2001 – 2002

2000 – 2001

i) ELECTRICITY PURCHASED :

Units

32.76 Lakhs

38.05 Lakhs

Total Amount

Rs.137.45 Lakhs

Rs.154.82 Lakhs

Rate/Unit

Rs. 4.20

Rs. 4.07

ii) IN OWN GENERATION THROUGH DIESEL GENERATION :

Units

3.64 Lakhs

8.87 Lakhs

Total Amount

Rs. 24.03 Lakhs

Rs.41.64 Lakhs

Rate/Unit

Rs. 6.60

Rs. 4.69

2. a) Consumption per Kg. of Production

5.08 per Unit

6.76 per Unit

b) Cost of Consumption per Kg. of Production

Rs.22.57

Rs.28.28

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.

b) Evaluation and maintenance of quality of Yarn at various stages of processing and optimising the process parameters to achieve the best quality of 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.

11. ACKNOWLEDGEMENT:

Your Directors wish to place on record their gratitude to the Central and State Governments, M/s.State Industries Promotion Corporation of Tamil Nadu Limited, M/s.Tamil Nadu Industrial Investment Corporation Limited, M/s.Punjab National Bank, M/s.Textool Company Limited, Suppliers, Dealers and the share holders for their continued co-operation and support.

On behalf of the Board of Directors
For **STERLING SPINNERS LTD.,**

K.S.VENUGOPAAL
Chairman-cum-Managing Director

Place : Chennai
Date : 29.06.2002

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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
M/s.STERLING SPINNERS LTD.

We have audited the attached Balance Sheet of M/s.Sterling Spinners Ltd, as on 31st March, 2002 and also the Profit & Loss Account 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.

1. 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 misstatements. 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.
2. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of Section-227 (4A) of the Companies Act, 1956, we enclose in the an Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
3. Further to our comments in the Annexure referred to above, we report that:
 - a) i) **The Company's Net worth has eroded due to losses and the company has become a sick Industrial Company within the meaning of (Clause 'O') of Sub Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985. The company has made a reference before BIFR on 28.05.2001 for declaration of the company as Sick Industrial Company and further directions are awaited from BIFR. Despite such erosion, the accounts have been prepared on a going concern basis as the business is being continued.**
 - ii) **The company has not made any repayment of principal to the financial Institutions and Bank also not paid the Interest amounting to Rs.202.78 lakhs charged to Profit and Loss account during the year, but credited to the financial institutions etc.,**

Sterling Spinners Ltd.,

S.DHANYAKUMAR & CO.,
Chartered Accountants

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

- iii) balances of loans and advances, Sundry Debtors and Sundry Creditors are subject to confirmation.**
- b) Subject to our comments in paragraph (a) above, 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.
- c) 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.
- d) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of accounts.
- e) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Sec. 211 (3C) of the Companies Act, 1956.
- f) On the basis written representations received from the Directors, as on 31.03.2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2002 from being appointed as a director in terms of clause (g) of Sub-section 1 of section 274 of the Companies Act, 1956.
- g) In our opinion and to the best of our information and according to the explanations give to us, the said accounts give the information required by the companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
- i) In the case of the Balance Sheet of the State of affairs of the company as at 31st March, 2002 and
- ii) In the case of the Profit and Loss Account, of the Loss for the year ended on that date.

Place : Chennai
Dated : 19.06.2002

For S.DHANYAKUMAR & Co.,
Chartered Accountant

D.SAMPATHKUMAR
Proprietor