

STERLING SPINNERS LTD.



ELEVENTH ANNUAL REPORT 2004 - 2005

For STERLING SPINNERS LTD.

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

1. Mr. K.S. VENUGOPALA
2. Mr. K. ALAGIRISWAMI
2. 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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ELEVENTH ANNUAL REPORT
&
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31st March, 2005

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NOTICE TO THE SHARE HOLDERS

NOTICE is hereby given that the **Eleventh 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 **THURSDAY** the **29th SEPTEMBER 2005** at **10.45 A.M.** to transact the following business:

AGENDA

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31.03.2005 and Profit and Loss Account of the Company for the year ended 31st March, 2005 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 as Ordinary Resolutions.

2. "RESOLVED that Sri. R.Vijaykumar, Director who retires by rotation and who being eligible offers himself for re-appointment, be and is hereby appointed as Director of the Company who shall be 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 Twelveth Annual General Meeting of the Company on a remuneration of Rs.20,000/- (Rupees Twenty thousand only)".

"BY ORDER OF THE BOARD"

Report Junction

For **STERLING SPINNERS LTD**
(K.S.VENUGOPALA)

Place : Chennai
Date : 28.07.2005

**CHAIRMAN-CUM-
MANAGING DIRECTOR**

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 **Saturday the 25th September, 2005 to Thursday the 29th September, 2005**. (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 Eleventh Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2005.

1. OPERATING RESULTS:

	Current Year	Previous Year
	(Rs. in lakhs)	
Net Sales / Income from Operations	686.95	1073.68
Other Income	11.31	4.76
	<u>698.26</u>	<u>1078.44</u>
Total Expenditure	764.54	1070.73
Interest	354.72	295.89
Gross Profit/(Loss) after Interest but before Depreciation and Taxation	(421.00)	(288.18)
Depreciation	75.53	75.36
Net Profit/(Loss)	(496.53)	(363.54)

Your Directors wish to inform that the company has achieved a Turnover of Rs.686.95 lakhs in the Current Year as against Rs.1073.68 Lakhs turnover of previous year. Your Directors report that the Net Loss of the Company for the year under review is increased to Rs.496.53 lakhs from Rs.363.54 Lakhs of previous year due to decrease in gross revenue and also due to increase in interest on Term Loans and Working Capital Loan to Financial Institution and Bank, etc. respectively.

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. R.Viyaykumar, 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 4 (a) (i) of Auditor's Report, the Company has made a reference before BIFR on 28.05.2001 and the company has been declared as Sick Industrial Company by the BIFR on 6.5.2003. The rehabilitation package has yet to be formulated. 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 4 (a) (ii) of Auditor's 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 Bank.
- In respect of qualification made by the Auditors under Clause 4 (a) (iii), the company will take steps to obtain remaining confirmation letters for balances of loans and advances Sundry Debtors and Sundry Creditors.

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d) In respect of comments made by the Auditors under clause ix (c), x and xi of the Annexure to the Auditor's Report, no explanation has been offered since the same are self-explanatory.

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. Venugopala, 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. **MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE:** A report on Management Discussion and Analysis and a Status report on the compliance of corporate Governance are annexed and form part of the Annual Report.

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 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 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 (2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules 1975.

Name	Designation	Remuneration	Qualification	Experience	Date of Commencement of Employment	Age	Employment before joining the Company
Sri.K.S.Venugopala	Chairman-cum-Managing Director	Rs.14,40,000/- Per Annum	M.Com.,	35 years	24.03.1995	56	Rendering services as Chairman-cum-Managing Director of Savorit Limited and continuing the same without any 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:

	2004-2005	2003-2004
1) POWER AND FUEL CONSUMPTION		
(i) ELECTRICITY PURCHASED		
Units	55.95 Lakhs	50.67 Lakhs
Total Amount	Rs. 223.45 Lakhs	Rs.201.61 Lakhs
Rate/Unit	Rs. 3.99	Rs. 3.98
(ii) OWN GENERATION THROUGH DIESEL GENERATION:		
Units	0.61 Lakhs	0.80 Lakhs
Total Amount	Rs. 6.96 Lakhs	Rs. 5.02 Lakhs
Rate/Unit	Rs. 11.42	Rs. 6.26
2) a) Consumption per Kg. of Production	4.06 Per Unit	5.36 per Unit
b) Cost of Consumption per Kg. of Production	Rs. 16.54	Rs. 21.50

B. TECHNOLOGY ABSORPTION:

The Company has taken steps in carrying out Research & Development Activities in the areas of:

- Grading of Cotton for specific count and quality of Yarn.
- Evaluation and maintenance of quality of Yarn at various stages of processing and optimizing 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 out go.

11. ACKNOWLEDGEMENT:

Your Directors wish to place on record their gratitude to the Central and State Governments, M/s. State Industries Promotion Corporation of Tamilnadu Limited, M/s. The 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.,

Place : Chennai

Date : 28.07.2005

K.S.VENUGOPALA
Chairman-cum-Managing Director

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ANNEXURE TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

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 and the company has been declared as Sick Industrial Company by the BIFR on 6.5.2003.

OUTLOOK:

The Company has submitted rehabilitation proposal to Operating Agency M/s. Punjab National Bank for consideration. The management is hopeful of getting approval of Rehabilitation proposal from the BIFR with the help of Financial Institutions, M/s. SIPCOT, M/s. TIIC and M/s. PNB and take necessary steps to turn around the company.

Risk and Concerns:

Fluctuations in the raw material prices will directly affect the cost of production.

Internal Control Systems:

The Company has constituted an Audit Committee, which looks into the aspects of internal control systems and ensures that all is well with the systems in vogue.

Financial and Operational Performance:

The financial statements have been prepared in accordance with the requirements of the Companies Act, 1956 and applicable Accounting standards issued by the Institute of Chartered Accountants of India. The Management accepts the integrity and objectivity of these financial statements as well as various estimates and judgments as used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form of transactions and reasonably present the company's state of affairs and loss for the year.

The company has achieved a gross Turnover of Rs.686.95 lakhs in the Current Year as against Rs.1073.68 Lakhs of turnover of previous year.

Human Resources and Industrial Relations:

The Industrial relations, by and large were cordial and the Management believes that its people are going to be main strength of its organisation in future.

REPORT ON CORPORATE GOVERNANCE

Company Philosophy on code of Governance:

Company firmly believes in and it has consistently practiced good corporate governance for conduct of its business and permitting its obligations towards all its share holders.

I. BOARD OF DIRECTORS:

The Company has a Chairman-cum-Managing Director with two other independent Directors.

The number of independent Directors is more than fifty percent of the total number of Directors. The number of Non-Executive Directors is more than 50% of the total number of Directors.

None of the Directors on the board is a member on more than Ten Companies and Chairman of more than 5 committees, across all the companies in which he is a Director. The necessary disclosures regarding committee position have been made by the Directors.

Sterling Spinners Ltd.,

II) BOARD MEETING:

The Board of Directors formulate the business and operational policies and decide on strategic issues concerning the company. The Board of Directors generally meets as and when situation so demand to review the business performance.

During the year under review 8 meetings of the Board of Directors were held.

2004		2005
17.05.2004	27.10.2004	31.01.2005
30.06.2004	21.11.2004	03.03.2005
30.07.2004	22.11.2004	

The details of attendance at Board Meetings and details of other directorship committee chairmanship/ membership held by the Directors during the period from April 2004 to March 31, 2005 are as follows :

Name of the Director	Board Meetings Attended	Directorships (other than Sterling Spinners Ltd.)	Committees in which / Chairman / member (other than M/s. Sterling Spinners Ltd.)	
			Chairman	Member
Sri. K.S. Venugopala	8	1	-	1
Sri. K. Alagiriswami	8	-	-	-
Sri. R. Vijaykumar	8	-	-	-

All the Directors of the company attended the 10th Annual General Meeting held on 29.09.2004.

III. AUDIT COMMITTEE:

Composition of the Audit Committee is as follows:

Name of the Directors:

Sri. R. Vijaykumar	: Chairman
Sri. K.S. Venugopala	: Director
Sri. K. Alagiriswami	: Director

The Audit Committee reviews the financial accounts / Policies, adequacy of Internal Control Systems and interacts with the Statutory Auditor and Internal Auditors. The Directors and other functional heads are invited to all the committee meetings. Besides, the committee reviews the audit plans, audited and un-audited financial results, observations of the internal and external auditors and follow up with the management.

During the year the committee met 5 times on 12th May 04, 11th June 04, 23rd July 04, 21st October 04 and 26th January 2005. All the members attended all the committee meetings.

IV. REMUNERATION OF DIRECTORS:

The Chairman-cum-Managing Director of the company has been appointed on contractual terms, based on the approval of the shareholders. The remuneration package comprises of salary. The quantum of Commission payable to him will be subject to a ceiling of 1% of the Net Profit for each financial year. In the absence of Profits, the company has paid minimum remuneration to Chairman-cum-Managing Director. The remuneration is within the limits prescribed under Schedule XIII to the Companies Act, 1956.

V) COMMITTEE OF BOARD OF DIRECTORS:

Composition of the share transfer committee for approval of share transfers are as follows:

Name of the directors:

Sri. R. Vijaykumar	: Chairman
Sri. K.S. Venugopala	: Director
Sri. K. Alagiriwami	: Director

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The share transfer committee formed under Clause 49 of the Listing Agreement approves and monitors transfers and transmission of shares of the company. The committee also reviews the compliance with various statutory and regularity requirements.

During 2005 – 2006 the committee met 4 times on 26th July 2004, 18th November 2004 and 17th January, 2005 28th February, 2005. All the members attended all the committee meetings.

VI) GENERAL BODY MEETINGS:

Time and location of Last three Annual General Meetings

Year	Date	Time	Location
2004	29.09.2004	10.15 A.M.	New No. 4, (Old No. 377/2) Suryanarayana Street, Tollgate, Chennai-600 081.
2003	18.08.2003	10.15 A.M.	New No. 4, (Old No. 377/2) Suryanarayana Street, Tollgate, Chennai-600 081.
2002	06.09.2002	10.15 A.M.	New No. 4, (Old No. 377/2) Suryanarayana Street, Tollgate, Chennai-600 081.

No Special Resolutions was put through postal ballot last year.

VII) DISCLOSURES:

There are no materially significant transactions with related parties i.e., Promoters, Directors or the management and companies under the same management conflicting with the company's interest.

VIII) MEANS OF COMMUNICATION:

Quarterly un-audited results of the company were published in accordance with Stock Exchange Listing Agreement in "Trinity Mirror" (English) and "Makkal Kural" (Tamil) Annual audited results of the company were published in "Trinity Mirror" (English) and "Makkal Kural" (Tamil).

IX) GENERAL SHAREHOLDER'S INFORMATION WITH REGARD TO NEXT ANNUAL GENERAL MEETING:

Date	Time	Location
28.09.2005	10.45 A.M.	New No. 4, S.N. Street, Tollgate, Chennai-600 081.

X) UNIT LOCATION: : a) Pa Pudupatti, (P.O.)
Vedasandur Taluk,
Dindigul-624 005.

XI) Address for Investor Correspondence: : New No. 4, (Old No. 377/2) S.N. Street,
Tollgate, Chennai-600 081.

Financial Calender: 2005 - 2006

Financial Reporting:

For the quarter ending June 30, 2005	: 28 th July, 2005	
For the quarter ending September 30, 2005	: October, 2005	}
For the quarter ending December 31, 2005	: January, 2006	} Tentative
For the quarter ending March 31, 2006	: May / June 2006	}
Annual General Meeting for 2005 – 2006	: September, 2006	}