

- 1. Mr. K.S. VENUGOPALA** Chairman-Cum-Managing Director
2. Mr. R. VIJAYKUMAR Director

AUDITORS

D. SAMPATHKUMAR & CO.

(Regn.No.003556S)

3, South Boag Road, Thyagaraya Nagar
Chennai 600 017.

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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SEVENTEENTH ANNUAL REPORT

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STATEMENT OF ACCOUNTS FOR THE YEAR ENDED

31st March, 2011

STERLING SPINNERS LTD.



**SEVENTEENTH
ANNUAL REPORT
2010 - 2011**

NOTICE TO THE SHARE HOLDERS

NOTICE is hereby given that the **Seventeenth 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 **22nd SEPTEMBER 2011** at **11.00 A.M.** to transact the following business:

AGENDA

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31.03.2011 and Profit and Loss Account of the Company for the year ended 31st March, 2011 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.D. SAMPATHKUMAR & CO., Chartered Accountants, Chennai (Regn.No.003556S) 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 Eighteenth Annual General Meeting of the Company on a remuneration of Rs.25,000/- (Rupees Twenty five thousand only)".

"BY ORDER OF THE BOARD"

For **STERLING SPINNERS LTD**
(K.S.VENUGOPALA)
CHAIRMAN-CUM-
MANAGING DIRECTOR

Place : Chennai
Date : 22.08.2011

NOTES:

- A.1. A MEMBER WHO 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 Meeting.
 3. The Register of Members and Share Transfer Books will remain closed from **Thursday the 15th September, 2011 to Thursday the 22nd September, 2011**. (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.

DIRECTORS REPORT

Your Directors have pleasure in presenting the **Seventeenth Annual Report** together with the Audited Accounts of the Company for the year ended **31st March, 2011**.

1. OPERATING RESULTS:

	Current Year	Previous Year
	(Rs. in lakhs)	
Other Income	99.54	84.96
	<u>99.54</u>	<u>84.96</u>
Total Expenditure	8.43	6.97
Interest	514.62	471.75
Gross Profit/(Loss) after Interest but Before Depreciation and Taxation	(423.51)	(393.76)
Depreciation	75.66	75.66
Income Tax for Earlier year written off	-	-
Net Profit / (Loss)	(499.17)	(469.42)

Your Directors report that the Net Loss of the company for the year under report is Rs.499.17 lakhs as against Net Loss of Rs.469.42 Lakhs of previous year. Your Directors report that the Mill is not functioning with effect from 03.11.2007 due to disconnection of power supply by TNEB.

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.Vijaykumar, Director will retire by rotation and being eligible offers himself for re-appointment.

4. AUDITORS' OBSERVATION ON ACCOUNTS:

- a) In respect of qualification made by Auditors under Clause 4 (a) (i) of Auditor's Report, the Company's has made a reference before BIFR on 28.05.2001 and the company has been declared as Sick Industrial Company by the BIFR on 06.05.2003. However the proceedings before BIFR were abated as per the order of BIFR on 22.4.2010 and the company has filed on appeal against the above said order of BIFR on 15.09.2010 with AAIFR which is pending.
- (ii) In respect of qualification made by the Auditors under Clause 4 (a) (ii) the company will take steps to obtain remaning confirmation letters for balances of Loans and Advances, Sundry Debtors and Sundry Creditors.

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. SHAREHOLDERS / INVESTORS' GRIEVANCES COMMITTEE:

The Shareholders / Investors' Grievances Committee was constituted with Mr.K.Alagiriswami as Chairman, Mr.R.Vijaykumar as Member and Mr.K.S.Venugopala as Member and Compliance Officer.

The scope of the Committee is to look into the Shareholders/Investors' Complaints / Grievances relating to transfer of shares, non-receipt of Balance Sheet and issue of Duplicate Share Certificates. In addition, the Board shall also from time to time to provide requisite guidelines / scope of work for the Grievance Committee and the Committee will discharge such other functions as are required under the provisions of the Listing Agreement and Companies Act, 1956.

The Committee met twice during the year under review – on 18th July, 2010 and 20th January, 2011 to review the status of complaints from the Shareholders / Investors and the redressal measures taken by the Company.

The following table shows the nature of complaints received from the Shareholders during the year 2010-2011.

<u>Nature of Complaints</u>	<u>No. of Complaints</u>
Non-receipt of shares sent for transfer/transmission	-
Non-receipt of Balance Sheet	-
Others	-
Total	Nil

The above shows that complaints received were 'Nil' and Pending Complaints were 'Nil'.

Both the above meetings were attended by all the members of the Grievance Committee.

7. 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.

8. DIRECTORS' RESPONSIBILITY STATEMENT:

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

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- 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 loss of the Company for that period;

Sterling Spinners Ltd.,

- 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.

9. AUDITORS:

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

10. PARTICULARS OF EMPLOYEES:

In terms of the requirement of Section, 217 (2A) of the Companies Act, 1956, no employee was in receipt of remuneration of Rs.60,00,000/- per annum during the year ended 31st March, 2011.

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: Not applicable

B. TECHNOLOGY ABSORPTION: Not Applicable.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

12. 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, 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 : 22.08.2011

K.S. VENUGOPALA
Chairman-cum-Managing Director

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. However, proceedings before BIFR were abated as per the order of BIFR on 22.04.2010 and the Company has filed an appeal against the above said order of BIFR with AAIFR which is pending.

OUTLOOK:

The Company has settled OTS dues with M/s. TIIC on 21.07.2010. Further, the Management is trying for a viable OTS scheme with M/s. SIPCOT in order to revive 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 reasonably present the Company's state of affairs and loss for the year. There was no operational performance, since the mill is not functioning.

Human Resources and Industrial Relations:

The employee relations, were cordial.

REPORT ON CORPORATE GOVERNANCE

Company's 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 formulates the business and operational policies and decides 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 12 meetings of the Board of Directors were held.

2010	2011
06.04.2010	10.01.2011
31.05.2010	31.01.2011
14.06.2010	17.02.2011
23.06.2010	
29.07.2010	
23.08.2010	
01.09.2010	
27.09.2010	
29.10.2010	

The details of attendance of Directors at Board Meetings and details of other directorship/ committee chairmanship/membership held by the Directors during the period from April 2010 to March 31, 2011 are as follows :

Name of the Director	Board Meetings	Directorships (other than M/s.Sterling Spinners Ltd.)	Committees in which / Chairman / member Attended (other than M/s.Sterling Spinners Ltd.)		Attendance in the 16th Annual General Meeting held on 23.09.2010
			Chairman	Member	
Sri K.S. Venugopala	12	1	-	1	Yes
Sri. K.Alagiriswami	12	-	-	-	Yes
Sri. R.Vijaykumar	12	-	-	-	Yes

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, observation of the internal and external auditors and follow up with the management.

During the year the committee met 4 times on 16th May, 2010, 22nd August, 2010, 26th December, 2010 and 28th January in 2011. All the members attended all the committee meetings.